

National Income and National Product In 1942

By Milton Gilbert and George Jaszi

The significant developments in the national income and national product from 1941 to 1942 all stem from the mobilization of the economy for war. Broadly speaking, three trends stand out: First, an expansion of the flow of total output and a concurrent fuller utilization of the factors of production; second, an added rise of dollar values due to pervasive inflationary pressure; third, a radical shift in the composition of the national product and in the industrial distribution of the income flow.

Changes within the year 1942 were especially pronounced. The economic situation was so dynamic that the end-of-the-year position of the national product and most of its components was far different from that at the beginning of the year. Whereas before Pearl Harbor the rearmament effort was still small enough to leave the civilian economy essentially undisturbed, by the end of 1942 most of the path to full economic mobilization had already been traveled. For this reason, estimates for the year as a whole have to be supplemented by quarterly data to present an adequate picture of the economic situation in 1942.

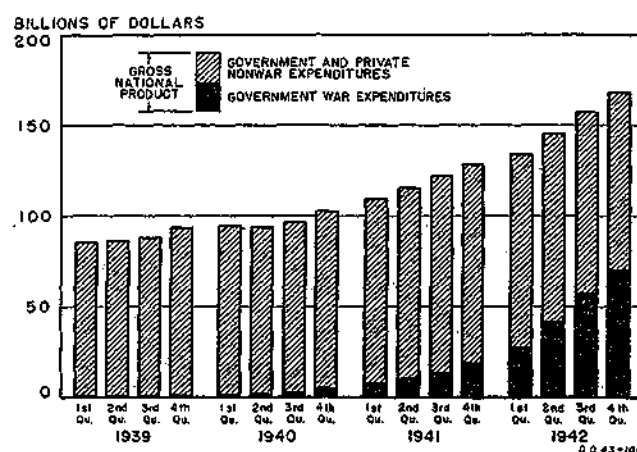
Expansion of the Gross National Product.

Owing primarily to the insatiable demand for war matériel, the sharply upward trend of the gross national product in the past few years was continued throughout 1942. This aggregate, composed of the value of the currently produced commodities and services flowing to government, to business for gross capital purposes, and to consumers, reached the record total of 151.6 billion dollars last year, rising from 119.2 billion dollars in 1941. The phenomenal advance under the rearmament program in 1941, when the gross product increased 22 billion dollars, was surpassed both in absolute and percentage terms by the rise in 1942 under the stimulus of war. Within the year the trend was exceedingly steep, gross national product rising from an annual rate of 128.8 billion dollars in the last quarter of 1941 to 168.8 billions in the corresponding quarter a year later, as can be seen from chart 1. The resurgence of American productive power from the time of the outbreak of the European war in September 1939 to the end of 1942 is reflected in a more than 90 percent increase in the value of the gross national product over that period.

This precipitous rise in the value of gross output resulted not only from a steadily increasing flow of the quantity of goods and services but, as is well recognized, from a continuously rising trend of prices. Accurate

removal of the inflationary influence during a period covering the transition from peace to war is exceedingly difficult for both conceptual and statistical reasons. The very concept of the physical quantity of output becomes highly tenuous when the assumption of constant wants is inapplicable and when the free market is displaced by price control and rationing. Furthermore, price data are not available for the entire range of output; they are likely to reflect quality change inadequately; and they certainly do not reflect the intangibles such as limited range of choice, simplification of style, and reduction of complementary services. Specifically, lack of data has necessitated the assumption of constant average munitions prices, and though this assumption is supported by existing evidence, it will no doubt be altered to some extent in the light of further information on the subject. Despite these difficulties an approximate adjustment for the price rise is furnished here because even a rough notion of the change in real output considerably increases the usefulness of the estimates.

Chart 1.—Utilization of Gross National Product (Seasonally Adjusted Annual Rates)



Source: U. S. Department of Commerce.

According to these data shown in table 1, the gross national product in terms of constant prices has risen substantially during the past few years. In 1942 there occurred an increase of 19 percent, in contrast to the advance in the current value of the gross product of 27 percent. Over the entire period from 1939 to 1942 the gross product in constant prices rose by 50 percent as against a current value rise of over 70 percent.

Table 1.—Gross National Product in Current and 1939 Dollars, 1939-42

(Billions of dollars)			
Year	Gross national product		Implicit price index
	Current dollars	1939 dollars	
1939.....	88.6	88.6	100
1940.....	97.0	96.2	101
1941.....	119.2	112.3	106
1942.....	151.6	133.2	114

The extent of the expansion of the gross national product in terms of constant prices has been so spectacular and so far beyond what most analysts thought possible that a question is raised as to the adequacy of the method of deflation used. It may be noted, however, that actual man-hours worked in civilian nonagricultural pursuits appear to have increased by more than 30 percent between 1939 and 1942, that the volume of agricultural production rose by 20 percent over the same period, and that the armed forces expanded greatly and accounted for a significant part of the gross product in 1942. Moreover, it appears certain that the economies of scale, the increase of efficiency due to reduced number of models and styles, and particularly the increase in output of munitions per man-hour have much more than offset any decrease in average skill that may have occurred because of the rapid enlargement of the labor force. If, in addition, consideration is given to the fact that a shift of the factors of production from industries of lower to higher value of output per worker is taken as an increase in real output in the conventional methods of price deflation, it does not seem that the estimated increase of the gross product in constant prices is unreasonable.

As implied previously, one may, of course, question the entire theoretical meaning of a measure of real output under the conditions prevailing over this period. That is another question, however, and one which, incidentally, does not deny the appropriateness of the usual techniques of price adjustment for problems of price stabilization and fiscal policy.

Government War Expenditures.

Since the past year was one of economic mobilization for war, the changes in the components of the gross national product were dominated by the increase in government expenditures for war purposes. (As explained more fully in the notes to the tables, the war expenditures referred to here represent only those which constitute a utilization of current output and not the total of war outlays as shown in accounting statements of the Treasury.) The 1942 war expenditures were 49.1 billion dollars compared with 12.5 billions a year earlier and only 1.4 billions in 1939. During the space of our first year at war, from the fourth quarter of 1941 to the same quarter of last year, Government war expenditures rose from an annual rate of 18.8 billion dollars to 70.1 billions. This rate

of increase is so spectacular as to make comment unnecessary. Since the President's full-war budget for the fiscal year 1944 contemplates war expenditures of 100 billions it may be seen how far along the way to complete economic mobilization the Nation was by the end of 1942. Of course, there have been inevitable delays in gearing the economy for a task of this magnitude. Furthermore, not all the goals of the program were completely fulfilled—which might have been expected with huge objectives decided upon long before experience had been gained on which to judge their feasibility. Despite these shortcomings, however, it is evident that during our first year of war a stupendous job of mobilizing the economy was performed, one which is a tribute to the bold planning of government, to the initiative and resourcefulness of industry, and to the discipline and skill of labor.

With war expenditures rising so much more rapidly than gross output, the war effort has taken a larger proportion of the gross national product month after month. By the last quarter of 1942, 42 percent of our gross output was accounted for by war expenditures whereas in the same period of 1941 this figure was only 15 percent. For 1942 as a whole, war expenditures constituted 32 percent of the gross product as against 10 percent in 1941 and 2 percent in 1939.

Year and quarter	Gross national product (billions of dollars)	War expenditures (billions of dollars)	War expenditures as percent of gross product
1939.....	88.6	1.4	2
1940.....	97.0	2.7	3
1941.....	119.2	12.5	10
I.....	109.4	7.6	7
II.....	116.0	10.0	9
III.....	122.6	13.6	11
IV.....	128.8	18.8	15
1942.....	151.6	49.1	32
I.....	131.3	27.7	21
II.....	145.8	41.5	28
III.....	157.5	57.1	36
IV.....	168.8	70.1	42

In presenting these percentages of gross national product devoted to war, reference to their limited significance should be repeated.¹ The definition of war expenditures, it has been pointed out, is arbitrary and does not attempt to separate goods essential to the prosecution of the war from those that are not. For instance, military use of consumption goods is considered part of war expenditures while consumption by workers in armament plants is not. Again, a capital asset purchased by private industry is not included in war output even though it may be devoted entirely to the production of armaments, whereas a government purchase of the identical equipment for identical purposes is included in war expenditures. Therefore, the more nearly the peak of the war effort is approached and the more nearly all lines of expenditure not con-

¹Cf. *Survey of Current Business*, August 1942.

tributing to the war effort are eliminated, the more the distinction between war and nonwar expenditures loses significance.

Furthermore, if one is interested in the distinction between production that ministers to the usual needs of a peaceful population and production that is adapted only to war needs, the comparison of war expenditures with total national product may also be misleading. In the case of durable capital goods, for example, the resources engaged in their production are currently not available for satisfying consumer wants. Once embodied in capital goods, the extent to which these resources will be devoted to the satisfaction of consumer wants will depend not so much on whether the capital goods have been produced for war purposes or not, as on their durability and convertibility. It is clear that an analysis along these lines would cut across the present classification of war and nonwar expenditures.

Another reason for caution in the use of these ratios is that they reflect the use of output rather than its production. Inventory changes of both war goods in process and nonwar goods can be quite large and move in opposite directions. These possibilities should be kept in mind when using the ratios as indicators of the current allocation of productive effort.

Finally, the magnitude of war expenditures should not be taken as a measure of the amount of civilian goods which the same factors of production would be capable of producing in the absence of the war effort. There are indications that the remuneration of resources engaged in the production of war goods is substantially higher than the remuneration of identical factors producing civilian goods.

For these reasons, the percentage of war expenditures to national product should not be regarded as more than an approximate index of the magnitude and progress of the war-production effort.

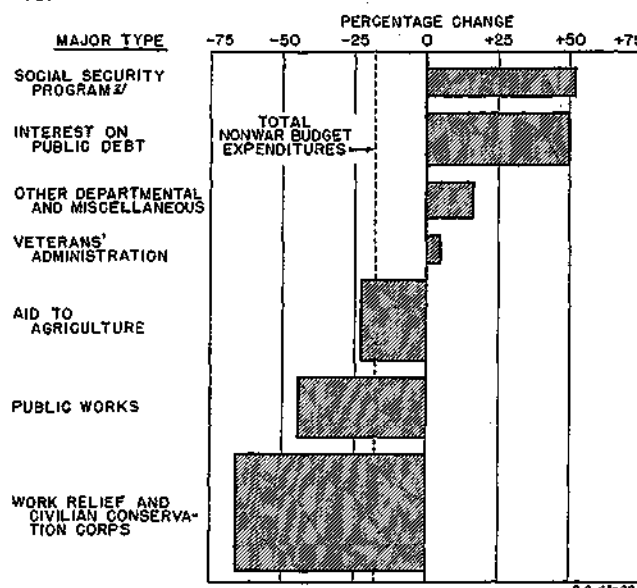
Other Components of Gross National Product.

While there was considerable divergence in the movement of other components of the gross national product, as a whole they fell below the 1941 level in 1942. Nonwar expenditures of Government participated in this decline.

Federal nonwar expenditures have declined continuously since 1939, with a drop of 18 percent between 1939 and 1942, as may be seen in chart 2. This overall decline hides widely divergent movements in the components. On the one hand, Government expenditures related to the Social Security program increased, reflecting mainly the growth in Social Security grants to States for special types of public assistance. Interest payments also increased sharply, due to the growth of the national debt. On the other hand there have been declines in aids to agriculture, expenditures on public works and on work relief, including the Civilian

Conservation Corps, that more than counterbalance the increases.

Chart 2.—Percentage Change in Federal Nonwar Budget Expenditures by Major Types, Calendar Year 1942 from 1939¹



¹ The width of each bar represents the percent that each major type is of the total nonwar budget expenditures for 1939.

² Includes United States contribution to Government-employees' retirement funds.

Source: U. S. Treasury Department.

Owing to inadequacy of information, the movement and composition of state and local expenditures are more difficult to trace. Indications are that these expenditures decreased because of a decline in relief expenditures and in state and local construction.

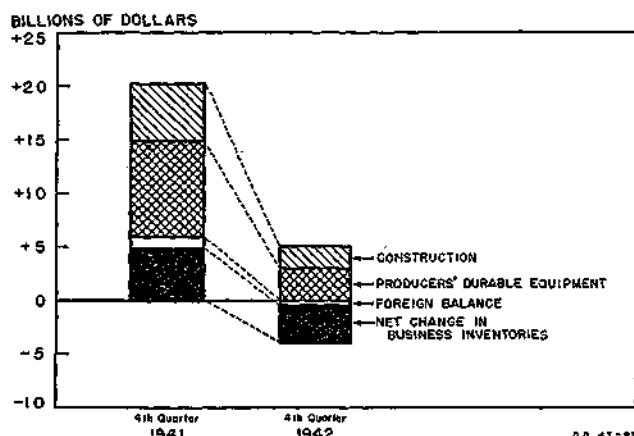
Private Gross Capital Expenditures.

The most substantial reductions among the major components of the gross national product were in the area of private gross capital outlay, the record total of 19.0 billion dollars for 1941 falling to 8.0 billions in 1942. The decline in this outlay during 1942 was so precipitous that by the final quarter of the year the annual rate was only 1.3 billion dollars. The ease of converting capital goods industries to war production, and the possibility of drawing upon both inventories and the foreign balance account for the severe decline of this segment of the gross product. As may be seen in chart 3, private construction and private purchases of machinery and equipment fell drastically in 1942 under the impact of material shortages and conversion of these industries to war production. By the fourth quarter of 1942 private construction and purchases of durable equipment were about one-third of the last quarter of 1941. The high rate of inventory accumulation which reached its peak in the fourth quarter of 1941 but continued throughout the first half of 1942 was replaced by a sizable drain on accumulated stocks in the last half of 1942.

Concurrent with the decline in private gross-capital formation there occurred a substantial increase in

charges to depreciation and depletion accounts, reflecting mainly the special amortization provisions that are allowed on the construction of emergency facilities under the Second Revenue Act of 1940, and increased depletion charges owing to a record output in the extractive industries. A comparison of the figures of private gross-capital formation with the measure of depreciation and depletion might suggest that by the second half of 1942 the United States had begun to consume its total stock of fixed capital. Such a conclusion, however, is unwarranted. In the first place, depreciation and depletion estimates are in terms of accounting dollars and intended to approximate the actual charges made in business records rather than the amount of capital consumption. There is reason to believe that, particularly for recent periods, they overstate the current consumption of capital.

Chart 3.—Private Gross Capital Formation (Seasonally Adjusted Annual Rates)



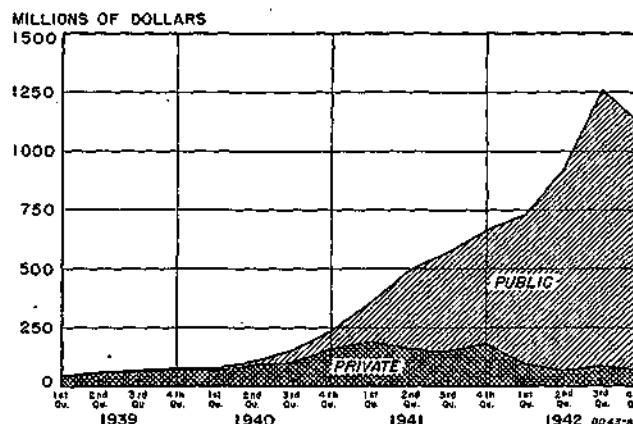
Source: U. S. Department of Commerce.

Secondly, and quantitatively more important, expenditures for capital facilities by the Government have been unusually large. According to best indications, nearly one-half of the total output of producers' durable equipment was purchased by the Government in 1942. Thus, in spite of the sharp decline in private purchases, total production fell only slightly below the all-time records established in 1941. As chart 4 shows, Government accounted for the bulk of the construction of industrial facilities in 1942. In spite of the decline in private construction, the total in 1942 was nearly double that of 1941 and far exceeded any previous level.

This Government construction and equipment is not necessarily lost permanently to the civilian sector of the economy. For, although there can be no doubt that some of the structures and equipment are too specialized to be subsequently useful to the civilian economy, this is probably not true of the bulk of Government industrial facilities. Just as a significant part of private capital equipment proved to be readily convertible to war production in 1941-42, it may be anticipated that the Government capital facilities will be convertible to

civilian use after the war. It does not follow that because it might not have been profitable for private industry to finance these facilities, their operation at their cost to industry after the war will not be profitable. Thus, in spite of the fact that the private stock of fixed capital might well decline in the course of the war, it would not be surprising if, after the difficulties of transition are overcome, the Nation had a better capital

Chart 4.—Value of New Industrial Construction



Source: U. S. Department of Commerce.

plant after the war than at the beginning of the rearmament program.

Consumers' Expenditures.

Of the nonwar components of the gross national product only consumers' expenditures increased in 1942. The 1942 total is estimated at 81.9 billion dollars—an all-time high for the dollar value of goods and services passing into the hands of consumers, compared with the 1941 figure of 74.6 billion dollars. It may be noted that consumers' purchases of durable goods declined fairly sharply but the rise in nondurable goods and services was large enough to send the total to the new high level. In further contrast to other types of nonwar expenditures, consumers' purchases remained extraordinarily high throughout the year with even the fourth-quarter level exceeding that of the previous year by a substantial margin.

When the dollar value of consumers' expenditures is adjusted for rising prices, consumers' goods and services in 1942 seem to have fallen slightly below the 1941 volume. As shown in table 2, consumers' expenditures in 1942 were 69.7 billion dollars in terms of 1939 prices as compared with 70.0 billions in 1941. Even if one makes all the allowance that may appear reasonable for the possibility that price quotations somewhat understate the rise in prices, it is evident from these data that the consumer was affected by war restrictions to only a minor degree in 1942. Consumers' expenditures on automobiles and parts dropped to insignificance, and the quantity of motor fuel and household goods fell substantially. All other major groups of

consumers' goods and services, however, equaled or exceeded their 1941 level.

Table 2.—Consumer Expenditures for Goods and Services, 1939-42¹
[Billions of 1939 dollars]

Item	1939	1940	1941	1942
Total, goods and services.....	61.7	65.1	70.0	69.7
Foods.....	18.1	18.9	20.0	21.1
Clothing and related products.....	6.8	6.0	7.7	8.2
Tobacco.....	1.8	1.9	2.1	2.3
Gasoline and oil.....	2.1	2.2	2.4	1.8
Other nondurable goods.....	3.8	4.1	4.5	4.8
Furniture, furnishings, and household equipment.....	3.0	3.3	4.0	3.3
Automobiles and parts.....	2.3	2.8	2.9	4.4
Other durable goods.....	1.1	1.2	1.4	1.4
Services.....	22.7	23.8	25.0	26.2

¹ Detail will not necessarily add to totals because of rounding.

In appraising the position of the consumer during this first year of war, certain aspects of the concept of consumers' expenditures used here should be noted. In the first place, it does not include consumption goods purchased by the Government for the use of our armed forces. Hence, it represents only purchases made directly by the consumer rather than the total of consumption goods flowing to our population. If account were taken of the consumption by the armed forces, provided by Government, the total of goods received by individuals in 1942 would more than equal the volume in 1941. In the matter of food and clothing there is no doubt that the population as a whole was better off in 1942 than at any time in the Nation's history, both in total and on a per capita basis.

In the second place, consumers' expenditures measure the goods passing into the hands of the consumer in the current year—a concept employed because of its usefulness in market analysis and similar problems. From the standpoint of the consumers' welfare, however, it is more appropriate to measure the services received in the current year whether from new purchases or from the consumers' existing stock of goods. This is particularly important in the case of durable goods, where the stock is large relative to each year's purchases so that a large decline in current acquisition has only little influence on current services received. In table 3 are

Table 3.—Consumer Expenditures and Current Consumption, 1940-42¹
[Billions of 1939 dollars]

Year	Consumer expenditures		Current services from stock of durable goods ²	Total consumer expenditures, cols. 1+2	Total current consumption, cols. 1+3
	Nondurable goods and services	Durable goods			
	(Column 1)	(Column 2)	(Column 3)	(Column 4)	(Column 5)
1940.....	57.8	7.3	5.7	65.1	63.5
1941.....	61.7	8.4	6.2	70.0	67.9
1942.....	64.5	5.2	5.9	69.7	70.4

¹ Detail will not necessarily add to totals because of rounding.

² Current services from stock of durable goods represent depreciation of stocks in hands of consumers, with the following exceptions: Expenditures for books and other durable printed matter and for monuments and tombstones are charged to the period in which they are purchased; value of consumption of passenger cars in the last three quarters of 1942 extrapolated from 1941 by gasoline consumption.

shown estimates of consumers' goods and services for both these concepts.

It may be noted that the services available to consumers from the stock of consumers' durables declined only negligibly in 1942. This decline is due entirely to our counting the services rendered by passenger cars in 1942 on the basis of gasoline consumption. Total commodities and services available to consumers on the basis of this "welfare" concept was significantly higher in 1942 than in 1941. There is, of course, no intention in these calculations of glossing over the insoluble problem of defining economic welfare under the conditions of the past few years. They are designed only to stress the fact that the requirements of war in 1942 barely touched the consumer standard of living in a quantitative sense.²

How did it prove possible to maintain so high a volume of consumption in 1942 in the face of the huge war-production program that was carried out simultaneously? Four factors in the 1942 situation, some of which will be materially altered in 1943, answer this question: (1) In the existing phase of the war effort when mobilization on the production front was dominant, only that part of the consumers' goods output which could be converted to munitions production was seriously affected. Of course, there were delays in securing even this conversion, but these delays were less important in maintaining the total flow of consumers' goods than the fact that only a relatively small segment of consumers' goods industries could be converted—namely, those producing durable goods. (2) The flow of goods to consumers in 1942 was maintained, to some extent, out of previously accumulated inventories. Inventory statistics are not available on consumers' goods alone, but the existing data indicate that consumers' expenditures to the extent of 2.5 billions may have come out of inventories in the course of the year. (3) In maintaining the total flow of consumers' goods and services, one of the most important factors was the existence of sufficient manpower up until the very end of the year to enable those industries not affected by military requirements to meet the rising demands of consumers with increased output. (4) It is also important, in contrast to what the situation will be this year, that in 1942 the demands of the armed forces and Lend-Lease for consumption commodities remained relatively small.

That we got both guns and butter in 1942, therefore, is an indication of the prior under-utilization of our economic resources and not a sign of failure in our war-production effort. It is important to recognize that by the time the fourth quarter of 1942 was reached the relatively high flow of goods to consumers was not in itself imposing restrictions on the output of war materials. Continued criticism of either business or

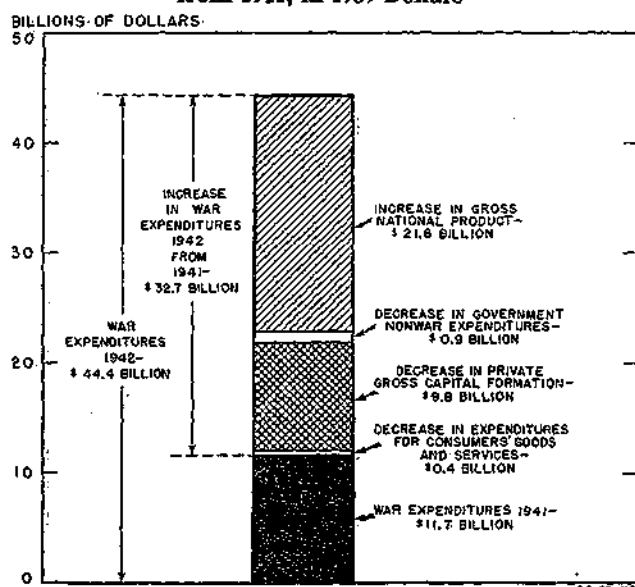
² It may be mentioned, on the other hand, that, inasmuch as the concept of consumers' expenditures embraces only goods ordinarily associated with the market economy, it does not reflect the loss of the services of housewives involved in the increased employment of women in industry.

the war-production authorities on this score is quite groundless. Materials and facilities readily convertible to munitions production were no longer being used to produce consumers' goods above the almost irreducible minimum and the flow of such goods to consumers was coming almost entirely out of irreplaceable business inventories. This does not mean that substantial curtailment of consumption is not in prospect in 1943. Such curtailment will result, however, from increased consumption goods and manpower requirements on the military front and from the manpower requirements of the munitions facilities constantly coming into production.

The Real Source of War Output.

One may summarize the changes in the gross national product during 1942 by reference to chart 5 which shows the real sources from which war production in 1942 was derived relative to the situation a year earlier. It may be noted that the increase in war expenditures at constant prices over this period amounted to 32.7 billion dollars. Of this increase 20.9 billions, or two-

Chart 5.—Real Sources of Increase in War Expenditures, 1942 from 1941, in 1939 Dollars¹



¹ Due to an error the increase in gross national product in the chart is overstated by 0.7 billion dollars and the decrease in private gross capital formation is understated by the same amount.

Source: U. S. Department of Commerce.

thirds, was derived from the expansion of total output while 11.8 billions, or one-third, was secured through the conversion of output from nonwar to war purposes.

While all types of nonwar output participated in this conversion, the bulk of the transfer was in the area of private-capital formation. The adaptability of the capital goods industries to war production and the availability of large inventories at the beginning of the year explain this situation. It is not, of course, a situation peculiar to the United States. All belligerent countries are foregoing private capital replacement and expansion and drawing heavily upon accumulated stocks of goods. What is peculiar to this country as compared with the other major belligerents, is the

moderate decline thus far in consumers' goods. Comparative lack of manpower stringency and relatively smaller import requirements explain this favorable situation.

National Income.

The changes in the gross national product that have been reviewed naturally involve equally marked changes in the national income generated in the course of this production. These changes resulted not only in a record total but also in shifts in the relative importance of the income shares as well as the industrial source of the income.

In 1942, the national income, representing the sum of the earnings of the labor and capital resources employed in the productive process, reached the unprecedented total of 119.8 billion dollars. This exceeded the previous all-time high of the preceding year by 25 percent and the 1939 total of 70.8 billions by 69 percent. The 1929 aggregate of 83.3 billions, the peacetime peak, was less than 70 percent of the 1942 national income.

While income originating in each industry group increased in absolute terms between 1941 and 1942, the largest relative increases occurred in those industry groups that have felt the direct impact of wartime demands. The importance of each industry in the income total for recent years is set forth in table 4. Especially noteworthy are the relative increases in agriculture, manufactures, and contract construction initiated in 1941 and continued in the succeeding year. Thus, the income derived from agriculture accounted for 9.2 percent of the total in 1942 compared with 7.7

Table 4.—Percent Distribution of National Income by Industrial Divisions, 1939-42

Industrial division	1939	1940	1941	1942
Total national income.....	100.0	100.0	100.0	100.0
Agriculture.....	7.4	6.8	7.7	9.2
Mining, total.....	2.0	2.3	2.2	2.0
Anthracite.....	.2	.2	.2	.1
Bituminous.....	.7	.8	.8	.8
Metal.....	.3	.4	.4	.3
Nonmetal.....	.2	.2	.2	.2
Oil and gas.....	.6	.7	.6	.6
Manufacturing, total.....	24.0	26.0	28.9	30.6
Food and tobacco.....	3.3	3.2	2.9	2.7
Paper, printing and publishing.....	2.4	2.4	2.3	1.9
Textiles and leather.....	3.8	3.7	4.0	3.6
Construction materials and furniture.....	2.2	2.3	2.5	2.2
Chemicals and petroleum refining.....	2.1	2.3	2.4	2.3
Machinery, transportation equipment, and other metal products.....	8.9	10.9	13.5	16.6
Miscellaneous and rubber.....	1.2	1.2	1.3	1.3
Contract construction.....	2.7	2.7	3.6	4.1
Transportation, total.....	7.0	7.0	6.8	6.7
Steam railroads, Pullman and express.....	4.0	4.0	4.0	4.1
Water transportation.....	.7	.7	.7	.6
Street railways.....	.5	.5	.4	.4
Motor transportation, public warehouses, and other transportation.....	1.8	1.8	1.7	1.6
Power and gas.....	2.0	2.0	1.9	1.4
Communication.....	1.3	1.2	1.1	.9
Trade, total.....	15.5	15.7	15.1	13.1
Retail.....	10.1	10.1	9.7	8.4
Wholesale.....	5.4	5.6	5.4	4.7
Finance, total.....	9.6	9.0	8.0	7.0
Banking.....	1.4	1.4	1.5	1.3
Insurance.....	1.7	1.5	1.2	1.1
Security brokerage and real estate.....	6.5	6.1	5.3	4.6
Government, total.....	14.1	13.3	12.0	13.7
Federal.....	7.3	6.9	6.7	6.4
State, county, local, and public education.....	6.8	6.4	5.3	4.3
Services.....	0.8	0.6	0.4	0.6
Miscellaneous.....	4.6	4.4	4.3	3.7

¹ Includes work-relief wages shown separately in table 15; excludes subsistence to members of the armed forces.

in the preceding year and 7.4 in 1939. The share of manufacturing in the total increased from 24 percent in 1939 to 28.9 and 30.6 in 1941 and 1942, respectively, while in contract construction the comparable figures are 2.7, 2.7, and 4.1 percent.

Within the manufactures group, however, the shifts were far from uniform. Indeed, the single large gain was in the metals and metal products industries which constituted 16.6 percent of the national total in 1942 but only 8.9 percent in 1939. The chemical products and petroleum refining group was up slightly from 1939 and construction materials and furniture had the same relative position, though both of these groups declined between 1941 and 1942. All the other subgroups of manufactures declined in relative importance between 1939 and 1942. This is only another way of emphasizing the extent to which the expansion of output associated with the war has been a durable-goods expansion.

Other relative declines occurred, not unexpectedly, in the distribution and service industries, more notably in finance and services proper. In the mining industries the share of the total was comparatively stable while the income attributable to governmental services, including the armed forces, was 13.7 percent of the national aggregate in 1942 compared with 12.0 in 1941 and 14.1 in 1939. The relative decline from the pre-war level is explained by the sharp curtailment in work relief. It is somewhat surprising that in the face of the increase in the armed forces and in Government arsenals and navy yards, income originating in Government was a smaller proportion of national income in 1942 than in 1939.

Changes in Distributive Shares.

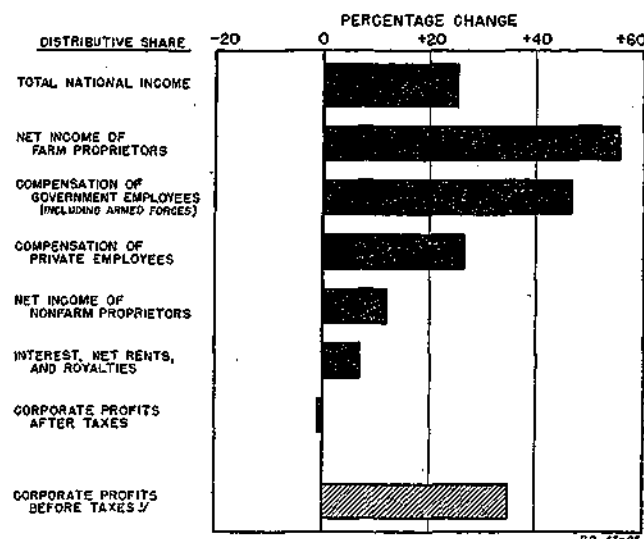
The changes in types of income have been equally striking. The largest percentage increase between 1941 and 1942 accrued to farm proprietors. Their net income in the latter year is estimated at 9.7 billion dollars, a gain of 55.5 percent over their net income of 1941 and a more-than-doubling of that of 1939. This is the first year since the post-war inflation of 1919 that the net income of farm operators has exceeded 9 billion dollars.

Although farm production increased almost 13 percent between 1941 and 1942, the 28.7 percent increase in prices received by farmers was the much more important factor accounting for the very sharp gain in net income of farm operators. On the other hand, total production expenses rose only by 18 percent. Income from marketings of every commodity increased at least 20 percent; the largest increases were in the returns from oil-bearing crops, meat animals, vegetables, poultry and eggs.³

The expansion in the net income of other proprietors, largely restricted to the distributive trades and services, was much smaller. Their estimated net income of 10.4

billion dollars in 1942 was 12.0 percent above the preceding year's total. The relatively moderate rise in 1942 is explained largely by the shortage of durable consumers' goods which severely limited or lowered

Chart 6.—Percentage Change in National Income by Distributive Shares, 1942 from 1941



* Corporate taxes are not a part of the national income.

Source: U. S. Department of Commerce.

the earnings of the distributors of these goods. The 1942 aggregate, however, was some 50 percent higher than the 1939 total of 6.9 billion dollars.

Wages and Salaries.

There was also a marked expansion in the total salary and wage component of the national income. These payments amounted to 80.3 billion dollars in 1942, a gain of 32 percent over the 60.9 billions paid out in 1941 and an increase of more than 80 percent over the 1939 total. These salary and wage totals include the pay of the armed forces. Since for many problems it is essential to consider only the earnings of the factors of production originating in private business, wages and salaries in Government and private enterprise are shown separately in table 15. Wage and salary payments made by privately owned enterprises increased by 27 percent between 1941 and 1942. This sizable increase followed a nearly equal gain of over 25 percent from 1940 to 1941.

Wage and salary totals increased during the first year of war in every minor industry group, although the increase was less than 2 percent in the production of crude oil and natural gas and in the production and distribution of electric light and power and of manufactured gas. Indeed, larger-than-average increases occurred only in contract construction and in the manufacture of chemicals and allied products, iron and steel products, electrical and other machinery, transportation equipment, automobiles, and nonferrous metal products.

³ The figures on production and prices received by farmers adapted from *The Farm Income Situation*, January 1943, p. 10, Bureau of Agricultural Economics, U. S. Department of Agriculture.

The phenomenal increase in the wage and salary total since 1939, even for private industry alone, is the result of many factors which are difficult to disentangle statistically. The rise in the number employed and the lengthening of the average work week have, of course, been basic factors. From 1939 to 1942 the number of employees in private nonagricultural industry rose by 23 percent while, inclusive of government, the number of wage and salary workers increased almost 37 percent. The average hours worked per week in manufacturing industries increased from 37.7 to 42.9 hours over the same period. While the work week has no doubt risen less for private industry as a whole, increased hours per man has nonetheless been an important factor in expanding the total wage bill.

Another significant factor has been the relative shift in the composition of the working force in private industry toward the higher paid industries. For example, workers in construction and durable manufactures constituted 22 percent of private nonagricultural employees in 1939 and 31 percent in 1942. The influence of this shift on total wages and salaries is augmented by the fact that the work week has risen more in these same higher-paid industries and by the fact that the occupational shifts within industries have also been from lower to higher paid jobs. In addition, there has occurred a large rise in basic wage rates that has been

of considerable importance in increasing the total wage bill as well as an increase in the total amount paid in premium-rate overtime work. The data on average hourly earnings reflect not only both these factors but also shifts in occupational classifications. The increase they show is so large, however, as to leave no question of sizable wage-rate increases. In durable manufactures, for example, average hourly earnings advanced from 69.8 in 1939 to 94.7 cents in 1942, while in non-durables the corresponding figures were 58.2 and 72.3.

The influence of these factors upon average annual earnings per employee is shown in table 5. In almost all industries the increase between 1939 and 1942 was very large, the average for all nonagricultural private industry having been 37 percent. The few instances of relatively small increases reflect mainly the little change in the length of the average work week in those industries. In the case of the Federal Government, the decline in average annual salary wage was due to the increase of the armed forces at rates of cash pay considerably below the average for government.

Corporate Profits.

The data on corporate profits for 1942 are still very incomplete so soon after the end of the year so that only approximate estimates of corporate income can be made at this time. When the bulk of corporation reports for 1942 have been issued, a more complete analysis of last year's profits will appear in the *Survey of Current Business*. With the data now available it appears that corporate profits after taxes were approximately the same in 1942 as in 1941 when the total was 7,668 million dollars. This level represents a rise of more than 80 percent from 1939. A moderate decline in the profits of manufacturing industries was offset by the quite sizable increase in the earnings of transportation companies. Changes among the other industries, while often sizable percentage-wise, did not bulk large in absolute terms. The failure of profits after taxes to rise with the substantial increase in output during 1942 was due, of course, primarily to the substantial increase in income and excess profits tax liabilities. While data on profits before taxes are also very incomplete at this time, present indications are that they rose from 14.6 billion dollars in 1941 to 19.7 billions in 1942.

That part of corporate profit disbursed to individuals in the form of dividend payments is not subject to the same limitations of statistical data. These payments are estimated at almost 4.0 billion dollars in 1942, or 10 percent below the 1941 total and only 4 percent above the 1939 level. Of course, the stabilization of dividends over the business cycle is a corporate policy of long standing. However, the increased needs of business for working capital and a policy of building up reserves for post-war adjustments and conversions were probably additional factors in the moder-

Table 5.—Annual Average Salary-Wage Per Employee in Nonagricultural Industries, 1939-42

(Dollars)					
Industrial division	1939	1940	1941	1942	Percent increase 1939-42
Total, all nonagricultural industries...	1,284	1,835	1,453	1,660	29
Total, excluding government.....	1,208	1,827	1,435	1,733	37
Mining, total.....	1,394	1,454	1,666	1,820	31
Anthracite.....	1,343	1,253	1,424	1,642	22
Bituminous.....	1,229	1,297	1,482	1,708	39
Metal.....	1,476	1,686	1,775	2,015	37
Nonmetal.....	1,382	1,631	1,734	1,971	43
Oil and gas.....	1,714	1,793	1,861	1,995	16
Manufacturing, total.....	1,309	1,426	1,669	2,043	56
Food and tobacco.....	1,287	1,343	1,436	1,616	26
Paper, printing and publishing.....	1,637	1,705	1,846	2,029	24
Textiles and leather.....	943	995	1,158	1,317	40
Construction materials and furniture.....	1,061	1,146	1,286	1,442	37
Chemicals and petroleum refining.....	1,006	1,314	1,997	2,256	40
Machinery, transportation equipment, and other metal products.....	1,551	1,698	2,021	2,353	65
Miscellaneous and rubber.....	1,375	1,492	1,699	2,080	51
Contract construction.....	1,140	1,186	1,346	1,561	37
Transportation, total.....	1,654	1,674	1,779	2,043	24
Steam railroads, Pullman, and express.....	1,876	1,908	2,039	2,290	22
Water transportation.....	1,770	1,702	1,810	2,362	33
Street railways.....	1,733	1,760	1,846	2,078	20
Motor transportation, public warehouses, and other transportation.....	1,217	1,250	1,316	1,476	21
Power and gas.....	1,760	1,794	1,896	2,063	17
Communication.....	1,503	1,577	1,598	1,671	12
Trade, total.....	1,220	1,242	1,333	1,435	18
Retail.....	1,080	1,092	1,155	1,248	16
Wholesale.....	1,140	1,150	1,178	1,187	5
Finance, total.....	1,581	1,595	1,640	1,755	11
Banking.....	1,867	1,876	1,891	2,094	10
Insurance.....	1,701	1,715	1,775	1,941	14
Security brokerage and real estate.....	1,234	1,309	1,346	1,368	11
Government, total.....	1,393	1,386	1,281	1,281	-1
Federal ¹	1,603	1,634	1,252	1,300	-13
State, county, local, and public education.....	1,308	1,313	1,308	1,364	4
Service.....	925	938	1,043	1,180	25
Miscellaneous.....	1,293	1,322	1,473	1,668	29

¹ Excludes subsistence to members of the armed forces and work-relief wages.

ate rise of dividends since 1939. This small increase in dividends as against the substantial rise of net profits has raised corporate savings to a relatively large figure.

Other types of return to capital are in the form of interest payments and rents and royalties. The former payments, very stable in recent years, are estimated at 5.4 billion dollars in 1942, an increase of 2.4 percent over the preceding year and only a 5.8-percent gain over the 1939 total. The rise in interest payments made by the Federal Government more than offset the decline by private enterprises resulting from refunding operations. Rents and royalties, on the other hand, increased by 16 percent between 1941 and 1942 and 34 percent between 1939 and 1942.

With the drastic increase in income and excess profits tax liabilities of corporations in recent years, it is necessary to point out that the distributive shares excluding this item no longer adequately reveal what is generally called the factor costs of current output. For the study of either total or percentage composition of factor costs, therefore, one should use corporate profits before taxes on income rather than net profit after taxes. Moreover, as mentioned earlier, income originating in government should be eliminated in assessing the relative changes among the factor costs of private enterprise output. The data in the tables are given in sufficient detail to allow statistical adjustment to concepts appropriate for problems of this sort.

Rise of Individual Savings.

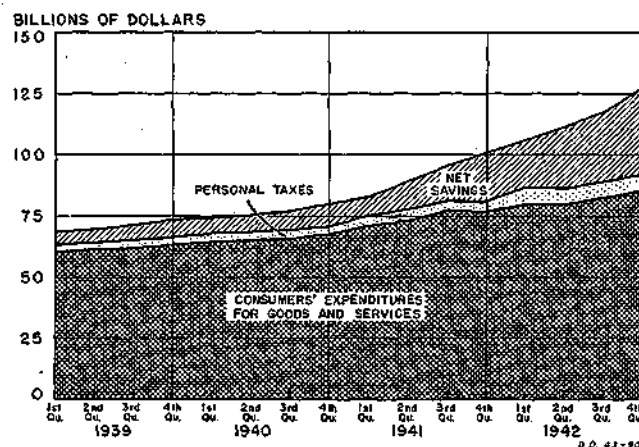
The combination of a substantial increase in the flow of income and a moderate increase in the dollar expenditures of consumers produced a spectacular rise in individual savings in 1942. As may be seen in table 12, income payments to individuals rose from 92.2 billion dollars in 1941 to 115.5 billions in 1942. Since there was only a relatively small increase in the absolute amount of tax payments out of individual incomes, the sum left to consumers for spending and saving was also materially enlarged. Inasmuch as supplies of goods were being restricted and prices were being controlled, the major part of this increase in disposable income of individuals took the form of increased savings. Savings of individuals rose from 13.7 billion dollars in 1941 to 26.9 billions in 1942; by the fourth quarter of that year the annual rate of savings was 35.2 billion dollars.⁴

This vast growth of individual savings has sometimes been interpreted as minimizing the inflationary danger and as diminishing the need for anti-inflationary policies. No interpretation could be more unfortunate than this.

⁴ Attention should be called to the direct estimates of saving published quarterly by the Securities and Exchange Commission. They contain valuable material on the detailed components of saving. Considering the completely different and independent approaches used, the Commerce and SEC estimates agree surprisingly well. After allowing for conceptual differences, the SEC estimates are slightly less than the Commerce figures of 7.5 and 13.7 billion for 1940 and 1941, but almost 3 billion dollars higher than the Commerce figure of 26.9 billion for 1942.

In the first place, it is not sufficiently realized that the savings figure which is reflected in the statistics is the actual amount which individuals have saved during a given period, rather than the amount they intended to save. This distinction is of crucial importance.

Chart 7.—Disposition of Income Payments to Individuals
(Seasonally Adjusted Annual Rates)



Source: U. S. Department of Commerce.

In periods of rising prices and incomes, individuals with incomes that are not contractually fixed find at the end of each period that their actual income has exceeded their expected income and that they have done some unintended saving because their consumption during the period was based on an expected income that was lower than the actual income they earned.

The savings figure which is registered by the statistics includes, therefore, an unknown amount of unintentional saving which is merely due to the fact that an inflationary process was in progress that raised incomes above their expected levels. Should the inflationary process stop, the savings of the next period would, in the absence of direct controls, fall below the levels attained during the period of inflation. In analyzing the inflationary gap, therefore, it is inappropriate to rely upon the current volume of saving as an offset against inflation.

Another part of saving is contingent upon the further intensification of anti-inflationary policies. A part of increased savings in 1942 no doubt reflects the excess of individual income-tax accruals for 1942 over collections of these taxes. Under present income-tax laws the income-tax liabilities of a given calendar year are collected during the next year so that in years of rising incomes and increasing tax rates there is a substantial excess of income-tax liabilities over collections. It is not known to what precise extent individuals set aside tax reserves on an accrual basis. But, with the increase of income-tax liabilities due only to the increase of rates imposed by the Revenue Act of 1942 amounting to at least 3 billion dollars, it is reasonable to suppose that some provision for payment was being made.

Continuance of such saving is contingent upon further increases in tax rates.

The case of reductions of consumer debt that were the result of restrictions on instalment buying is similar. Retirement of consumer debt—exclusive of lines such as automobiles and other durable goods in which mere nonavailability of goods led to a reduction—was quite large in 1942. The maintenance of such savings, too, is contingent upon the further intensification rather than the mere continuation of the anti-inflationary policies that gave rise to them.

Above all, it must be recognized that a substantial part of the increased savings in no sense represented a really voluntary allocation of income by the consumer. It arose, rather, because the imposition of price control and rationing effectively restricted the amount which the consumer was required to spend for the goods available. Since supplies of nondurables are becoming generally restricted, and since all experience points to the fact that, in the absence of controls, saving is a function of nondurable consumption in real terms rather than in money terms, the maintenance of this type of saving becomes increasingly dependent upon the continuation of successful and comprehensive price control and rationing. The point is merely that one does not save easily when his basic appetites are less than normally satisfied. A high level of consumers' savings relative to income should thus be seen as a consequence of anti-inflationary policies rather than as a factor allowing a relaxation of those policies.

Monetary Sources of War Finance.

Although Federal Government revenues rose substantially in 1942, they were so far outpaced by expenditures that the largest deficit in our history was recorded. The monetary sources from which this deficit was directly or indirectly financed are shown in table 6. In 1941 the total savings absorbed by the Federal Government was still less than the net savings of individuals alone. In 1942, however, individuals' savings were insufficient to meet the Government's requirements so that other components of the gross-savings flow were drawn upon.

The decrease in private-capital outlays was, of course, the main factor in increasing the gross flow of non-individual savings available to government. In addition, however, gross corporate savings, State and local government surplus, and social insurance reserves all increased. It must not be assumed that the increase in the gross-savings flow constitutes a non-inflationary source of financing the deficit. As mentioned in connection with individuals' savings, the increase in the gross-savings flow itself reflects in part the inflationary movement in progress.

Table 6.—Absorption of Gross Savings by Federal Government, 1939-42¹

[Billions of dollars]

Line	Item	1939	1940	1941	1942
1	Net savings of individuals.....	6.0	7.5	13.7	26.9
2	Net corporate savings.....	.4	1.8	3.3	3.6
3	Net business tax accruals.....	.3	1.3	4.6	5.3
4	Depreciation and depletion charges.....	0.2	6.4	0.9	7.8
5	Capital outlays charged to current expense.....	.7	.9	1.5	1.5
6	Other business reserves.....	.8	.9	1.0	1.0
7	Inventory revaluation adjustment.....	—	—	—	—
8	Adjustment for discrepancies.....	—	—	—	—
9	Gross private savings.....	14.1	17.4	26.8	43.5
10	Less: Private gross capital formation.....	10.9	14.7	19.0	8.0
11	Gross private savings available to government.....	3.2	2.7	7.8	35.4
12	State and local budget surplus.....	—	—	—	—
13	Social insurance fund savings.....	1.0	.9	1.6	2.2
14	Total gross savings available to Federal Government.....	3.9	4.0	10.4	39.3
15	Net budget deficit.....	4.0	3.8	10.2	39.6
16	Net expenditures in checking accounts of government corporations, etc.....	—	—	—	—
17	Increase in general fund balance.....	—	—	—	—
18	Increase in public debt.....	2.5	3.1	12.9	50.2
19	Less: Increase in general fund balance.....	—	—	—	—
20	Less: Other increase in public debt not requiring saving.....	—	—	—	—
21	Increase in public debt not requiring saving.....	—	—	—	—
22	Total gross savings absorbed by Federal Government.....	3.9	4.0	10.4	39.3

¹ Detail will not necessarily add to totals because of rounding.

Notes to Tables

The following notes to the gross national product and expenditure tables represent partly a consolidation of those accompanying the articles appearing in the *Survey of Current Business*, May and August 1942. They also cover the revisions that have been made in the various series, as well as the new statistical material that has been added. It should be emphasized that the estimates as a whole are preliminary since not all the components have as yet been calculated in a definitive manner. They are designed to show the changes being wrought by the war, not the precise level of each component. Moreover, in order to issue them early enough to be of use in the analysis of current problems, the estimates must be prepared before complete source material on the most recent years becomes available. Revisions for these years are, therefore, inevitable. Finally, in estimates embracing the entire economy and prepared almost entirely from existing statistical data collected for other purposes, it is to be expected that the primary statistical sources for estimating some of the details are far from adequate.

TABLE 1

War Expenditures.—Deflated by a price index prepared by the Munitions Branch of the Division of Research, War Production Board. The index was obtained by deflating a detailed break-down of war output, including munitions and non-munitions, by appropriate wholesale-price indexes. It was assumed that price changes within the category of munitions were self-cancelling and the index for munitions was accordingly held constant at 100. While this assumption was supported by best available evidence, it is subject to revision in the light of further work on the subject.

Federal Nonwar Expenditures.—Components of non-war expenditures not deflated include pay rolls, work-relief wages, interest, and agricultural benefits. Nonwar construction was deflated by an appropriate construction-cost index and the remainder by the Bureau of Labor Statistics' wholesale price index of commodities other than farm products and foods. The book-value change in the inventories of the Commodity Credit Corporation was deflated by dividing by a price index constructed from the relation of book value to value in 1939 prices of most of the commodities held by the Corporation.

State and Local Expenditures.—Interest and pay roll components were not deflated. Construction and the remainder were deflated in the same way as were the corresponding components of Federal nonwar expenditures.

Table 7.—Gross National Product or Expenditure, Quarterly, 1939-42: Seasonally Adjusted Annual Rates ¹

[Billions of dollars]

Line	Item	1939				1940				1941				1942			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Gross national product or expenditure.....	85.7	88.6	88.6	93.5	94.8	93.9	96.6	103.0	109.4	116.0	122.6	128.8	134.3	145.8	157.5	168.8
2	Government expenditures.....	15.5	16.4	16.1	16.0	15.6	16.0	16.2	18.9	20.9	22.4	26.2	32.1	39.8	55.5	69.0	82.3
3	Federal Government.....	7.2	8.3	8.0	8.0	7.7	8.2	8.3	11.1	13.1	15.6	18.3	24.2	32.1	48.0	61.7	75.2
4	War.....	1.2	1.3	1.4	1.5	1.7	2.0	2.5	4.7	7.6	10.0	13.0	18.8	27.7	41.5	57.1	70.1
5	Nonwar.....	6.1	7.0	6.6	6.5	6.0	6.2	5.8	6.3	5.5	5.6	4.7	5.4	4.4	6.5	4.6	6.0
6	State and local government.....	8.3	8.1	8.1	8.0	7.9	7.9	7.9	7.9	7.8	7.8	7.8	7.8	7.7	7.5	7.3	7.2
7	Output available for private use.....	70.2	72.3	72.5	77.4	79.2	77.8	80.4	84.1	88.4	93.6	96.3	96.7	94.4	90.3	88.5	86.4
8	Private gross capital formation.....	9.8	9.2	10.5	14.2	14.6	12.8	14.5	16.9	17.4	18.9	19.2	20.3	14.2	10.8	8.8	1.3
9	Construction.....	3.5	3.6	3.7	3.8	4.0	4.2	4.4	4.7	5.1	5.4	5.6	5.5	4.2	3.4	2.4	2.0
10	Producers' durable equipment.....	5.0	5.2	6.4	6.3	6.5	6.5	6.8	7.7	9.1	9.6	8.1	9.0	7.1	5.9	4.3	3.1
11	Net change in business inventories.....	—	—	—	2.8	2.3	1.2	1.9	2.8	2.2	3.1	3.8	4.9	2.0	.8	—1.6	—3.6
12	Net exports of goods and services.....	.4	.6	.7	1.1	1.7	1.5	1.2	1.3	1.0	.7	1.2	.9	.6	.6	.6	—1.3
13	Net exports and monetary use of gold and silver.....	.2	.3	(2)	.3	.2	.4	.1	.5	(2)	.1	.5	.1	.2	.1	.1	(2)
14	Consumers' goods and services.....	60.4	61.0	62.0	63.2	64.6	65.0	65.0	67.2	71.0	73.7	77.3	78.4	80.3	79.5	82.7	85.1
15	Durable goods.....	6.1	6.2	6.4	6.8	7.1	7.2	7.4	8.0	9.1	9.7	9.5	8.1	7.1	8.9	6.3	6.4
16	Nondurable goods.....	31.0	32.3	32.8	33.4	33.8	34.1	34.6	35.1	37.0	38.0	42.3	42.1	46.6	46.1	48.6	50.7
17	Services.....	22.4	22.5	22.8	23.0	23.7	23.7	23.9	24.2	24.8	25.2	25.5	26.2	26.7	27.5	27.8	28.1

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.Table 8.—National Income by Distributive Shares, Quarterly, 1939-42: Seasonally Adjusted Annual Rates ¹

[Billions of dollars]

Line	Item	1939				1940				1941				1942			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Total national income.....	68.2	69.0	71.2	74.6	75.1	76.2	78.0	81.8	85.2	93.1	99.5	104.6	109.0	115.4	122.4	132.3
2	Total compensation of employees.....	46.9	47.1	48.0	50.0	50.4	51.1	52.8	54.9	57.4	62.5	67.2	71.1	75.1	80.5	86.0	93.0
3	Salaries and wages.....	42.9	43.2	44.3	46.4	46.7	47.5	49.0	51.3	53.6	58.7	63.6	67.5	71.6	77.0	82.8	89.7
4	Supplements.....	4.0	3.9	3.7	3.6	3.7	3.6	3.7	3.7	3.8	3.8	3.6	3.6	3.5	3.4	3.3	3.3
5	Net income of proprietors.....	10.6	10.8	11.2	12.0	11.9	12.0	12.0	12.8	13.4	15.0	16.3	17.2	18.4	19.2	20.1	22.5
6	Agricultural.....	4.2	4.1	4.3	4.6	4.5	4.3	4.1	4.6	5.0	6.0	6.8	7.2	8.3	8.9	9.8	11.8
7	Nonagricultural.....	6.4	6.7	7.0	7.4	7.5	7.7	7.9	8.2	8.5	9.0	9.5	10.0	10.1	10.3	10.4	10.7
8	Interest and net rents.....	7.4	7.3	7.3	7.5	7.5	7.5	7.4	7.5	7.6	7.9	8.0	8.1	8.3	8.3	8.5	8.7
9	Net corporate profits.....	3.3	3.8	4.6	5.2	5.3	5.7	5.8	6.6	6.7	7.7	8.0	8.2	7.1	7.4	7.8	8.1

¹ Detail will not necessarily add to totals because of rounding.Table 9.—Disposition of Income Payments, Quarterly, 1939-42: Seasonally Adjusted Annual Rates ¹

[Billions of dollars]

Line	Item	1939				1940				1941				1942			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Income payments to individuals.....	68.8	69.4	71.1	73.8	74.2	75.2	76.8	79.6	82.8	89.7	95.8	100.4	105.7	111.5	117.7	126.9
2	Less: Personal taxes and nontax payments.....	3.1	3.1	3.1	3.1	3.3	3.3	3.3	3.3	4.0	4.0	4.0	4.0	6.6	6.6	6.6	6.6
3	Federal.....	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	2.0	2.0	2.0	2.0	4.7	4.7	4.7	4.7
4	State and local.....	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0
5	Equals: Disposable income of individuals.....	65.7	66.2	68.0	70.7	70.9	71.8	73.5	76.3	78.9	85.7	91.8	96.4	99.1	104.8	111.1	120.3
6	Less: Consumer expenditures.....	60.4	61.0	62.0	63.2	64.6	65.0	65.0	67.2	71.0	73.7	77.3	78.4	80.3	79.5	82.7	85.1
7	Equals: Net savings of individuals.....	5.3	5.2	6.0	7.5	6.3	6.9	7.6	9.1	7.8	12.1	14.6	20.1	18.8	25.3	28.4	35.2

¹ Detail will not necessarily add to totals because of rounding.

Private Construction.—Major components of private construction were deflated separately by appropriate construction-cost indexes.

Producers' Durable Equipment.—Deflated by an index of capital equipment, processed, compiled by the National Bureau of Economic Research.

Net Change in Business Inventories.—Business inventories are deflated as one step in obtaining the value of the physical quantity change in terms of current prices.

Net Exports of Goods and Services.—Not deflated.

Net Exports and Monetary Use of Gold and Silver.—Not deflated.

Consumers' Goods and Services.—Price indexes were computed for the eight commodity groups shown in table 2 and each group deflated separately. Services were deflated by the service breakdown of the cost-of-living index of the Bureau of Labor Statistics. Examination of the weights of the component price series of this index indicates reasonable agreement with relative expenditures on corresponding groups of services in 1939.

TABLE 3

Line 1.—Table 12, line 11.

Line 2.—Table 11, line 11.

Line 3.—Table B, line 17 plus line 38.

Line 4.—Table 13, line 3.

Line 5.—Table 13, line 5.

Line 6.—Table 13, line 4.

Line 7.—Table 13, line 6.

Line 8.—Table 13, line 7.

Line 9.—Sum of lines 1 through 8.

Line 10.—Table 10, line 8.

Line 11.—Line 9 minus line 10.

Line 12.—Table B, line 36 minus table A, line 23.

Line 13.—Table B, line 48 plus line 47 plus line 12, plus table A, line 19 minus line 20, minus table A, line 27 plus line 28.

Line 14.—Sum of lines 11 through 13.

Lines 15 to 18.—Treasury Bulletin.

Line 19.—Line 17.

Line 20.—Line 16 minus table A, line 12 plus line 21, plus table A, line 13 plus line 16 plus line 17, minus table B, line 16. In 1942 these adjustments have to be reduced by 96 million dollars, the Government contribution to the allowances for soldiers' dependents. These allowances are deducted in deriving government expenditures for goods and services (table A, line 13), but are included in transfer payments (table A, line 26).

Line 21.—Line 19 plus line 20.

Line 22.—Line 18 minus line 21.

Table 10.—Gross National Product or Expenditure, Quarterly, 1939-42¹

[Billions of dollars]

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	Gross national product or expenditure.....	20.5	21.9	21.8	24.5	88.6	22.7	23.6	23.6	27.1	97.0	26.0	29.3	30.2	33.7	119.2	32.2	36.5	38.8	44.0	151.6
2	Government expenditures for goods and services.....	4.0	4.2	3.8	4.1	16.0	3.9	4.1	3.8	4.8	16.7	5.3	6.0	6.3	8.1	25.7	10.0	14.0	17.0	20.7	61.7
3	Federal Government.....	1.8	2.1	2.0	2.0	7.9	1.9	2.0	2.1	2.8	8.8	3.3	3.9	4.0	6.1	17.8	8.0	12.0	15.4	18.8	54.2
4	War.....	.3	.3	.4	.4	1.4	.4	.4	.6	1.2	2.7	1.9	2.5	3.4	4.7	12.5	0.9	10.4	14.3	17.5	43.1
5	Nonwar.....	1.5	1.7	1.7	1.6	6.5	1.5	1.5	1.4	1.6	6.1	1.4	1.4	1.2	1.3	5.3	1.1	1.6	1.2	1.3	5.1
6	State and local government.....	2.2	2.1	1.8	2.1	8.1	2.0	2.1	1.7	2.1	7.9	2.0	2.1	1.7	2.1	7.8	2.0	2.0	1.6	1.9	7.4
7	Output available for private use.....	16.5	17.7	18.0	20.4	72.6	18.8	19.5	19.8	22.3	80.4	20.7	23.3	23.9	25.6	93.5	22.2	22.5	21.8	23.3	89.9
8	Private gross capital formation.....	2.3	2.3	2.8	3.6	10.0	3.5	3.2	3.8	4.2	14.7	4.1	4.7	5.0	5.1	19.0	3.4	2.7	2.6	3	8.0
9	Construction.....	.7	.9	1.1	1.0	3.6	.8	1.1	1.3	1.2	4.3	1.0	1.4	1.6	1.4	5.4	.9	.9	.7	.5	3.0
10	Residential.....	.4	.5	.6	.5	2.0	.4	.6	.7	.7	2.4	.5	.7	.9	.7	2.9	.5	.5	.3	.2	1.5
11	Other.....	.3	.4	.5	.4	1.6	.4	.5	.6	.5	2.0	.5	.6	.7	.7	2.5	.4	.4	.4	.3	1.6
12	Producers' durable equipment.....	1.3	1.3	1.3	1.6	5.5	1.6	1.6	1.7	1.9	6.9	2.3	2.4	2.0	2.3	8.9	1.8	1.5	1.1	.8	5.1
13	Net change in business inventories.....	.1	-.1	.2	.7	.9	.6	(?)	.5	.7	1.8	.6	.8	1.0	1.2	3.5	.5	.2	-.4	-.9	-.6
14	Net exports of goods and services.....	.2	.2	.2	.3	.8	.4	.4	.3	.3	1.4	.2	.2	.3	.2	.9	.1	.1	.1	-.1	.4
15	Net exports and monetary use of gold and silver.....	(?)	.1	(?)	.1	.2	(?)	.1	(?)	.1	.3	(?)	(?)	.1	(?)	.2	.1	(?)	(?)	(?)	.1
16	Consumers' goods and services.....	14.2	15.4	15.2	16.9	61.7	15.3	16.2	16.1	18.0	65.7	16.6	18.6	18.9	20.5	74.6	18.8	19.8	20.3	23.0	81.9
17	Durable goods.....	1.3	1.7	1.5	2.0	6.4	1.6	2.0	1.7	2.3	7.4	1.9	2.6	2.2	2.3	9.1	1.4	1.5	1.5	2.0	6.4
18	Nondurable goods.....	7.3	8.1	8.0	9.2	32.6	7.9	8.4	8.4	9.7	34.4	8.5	9.7	10.3	11.6	40.1	11.4	11.4	11.9	14.0	48.0
19	Services.....	5.6	5.6	5.7	5.7	22.7	6.0	5.9	6.0	6.0	23.9	6.2	6.3	6.4	6.5	25.4	6.7	6.9	6.9	7.0	27.5

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.Table 11.—National Income by Distributive Shares, Quarterly, 1939-42¹

[Billions of dollars]

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	Total national income.....	16.6	17.2	17.6	19.4	70.8	18.3	18.8	19.3	21.4	77.8	20.8	23.0	24.7	27.1	95.6	26.3	28.5	30.9	34.1	119.8
2	Total compensation of employees.....	11.6	11.9	11.8	12.8	48.1	12.4	12.8	13.0	14.1	52.4	14.3	15.7	16.6	18.0	64.6	18.4	20.1	21.6	23.5	83.7
3	Salaries and wages.....	10.6	10.9	10.9	11.9	44.2	11.5	11.9	12.1	13.2	48.7	13.3	14.7	15.7	17.1	60.9	17.5	19.3	20.8	22.7	80.3
4	Supplements.....	1.0	1.0	.9	.9	3.8	.9	.9	.9	.9	3.7	1.0	.9	.9	.9	3.7	.9	.9	.8	.8	3.4
5	Net income of proprietors.....	2.5	2.6	2.9	3.2	11.2	2.9	2.8	3.1	3.4	12.2	3.2	3.4	4.2	4.7	15.5	4.2	4.4	5.3	6.2	20.1
6	Agricultural.....	.9	.9	1.1	1.3	4.3	1.0	.9	1.1	1.4	4.4	1.1	1.2	1.8	2.2	6.2	1.7	1.8	2.7	3.5	9.7
7	Nonagricultural.....	1.6	1.7	1.7	1.8	6.9	1.9	1.9	2.0	2.0	7.8	2.1	2.3	2.4	2.5	9.3	2.5	2.6	2.6	2.7	10.4
8	Interest and net rents.....	1.8	1.9	1.8	1.9	7.4	1.8	1.9	1.8	1.9	7.5	1.8	2.1	1.9	2.1	7.9	2.0	2.2	2.0	2.3	8.4
9	Net corporate profit.....	.7	.8	1.1	1.6	4.2	1.2	1.3	1.4	1.0	6.8	1.6	1.9	2.0	2.2	7.7	1.7	1.8	2.0	2.2	7.6
10	Dividends.....	.8	.8	.8	1.4	3.8	.9	.9	.9	1.4	4.0	.9	1.0	1.0	1.0	4.4	.9	.9	.9	1.2	4.0
11	Savings.....	-.1	(?)	.3	.2	.4	.3	.4	.5	.5	1.8	.6	.9	1.1	.7	3.3	.8	.9	1.0	.9	3.6

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.Table 12.—Disposition of National Income, Quarterly, 1939-42¹

[Billions of dollars]

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	National income.....	16.6	17.2	17.6	19.4	70.8	18.3	18.8	19.3	21.4	77.8	20.8	23.0	24.7	27.1	95.6	26.3	28.5	30.9	34.1	119.8
2	Add: Transfer payments.....	.6	.6	.6	.6	2.4	.7	.7	.7	.6	2.6	.7	.6	.6	.6	2.5	.7	.6	.6	.6	2.5
3	Less: Corporate savings.....	-.1	(?)	.3	.2	.4	.3	.4	.5	.5	1.8	.6	.9	1.1	.7	3.3	.8	.9	1.0	.9	3.6
4	Contributions to social insurance (funds).....	.5	.5	.5	.5	2.0	.5	.5	.5	.6	2.1	.6	.6	.7	.7	2.6	.8	.8	.8	.9	3.3
5	Equals: Income payments to individuals.....	16.9	17.3	17.4	19.3	70.8	18.1	18.6	18.9	20.9	76.5	20.2	22.1	23.6	26.3	92.2	25.4	27.5	29.7	32.9	115.5
6	Less: Personal taxes and nontax payments.....	1.0	.8	.5	.8	3.1	1.1	.8	.5	.9	3.3	1.4	1.0	.7	1.0	4.0	2.5	1.6	1.2	1.3	6.6
7	Federal.....	.4	.3	.3	.2	1.3	.5	.3	.3	.3	1.4	.8	.5	.4	.4	2.0	1.0	1.0	.9	.7	4.7
8	State and local.....	.5	.5	.3	.6	1.9	.6	.5	.3	.6	1.9	.5	.5	.3	.6	1.9	.5	.6	.3	.6	2.0
9	Equals: Disposable income of individuals.....	15.9	16.5	16.9	18.5	67.7	17.0	17.7	18.3	20.1	73.2	18.9	21.1	22.9	25.3	88.2	22.9	25.9	28.4	31.6	108.8
10	Less: Consumer expenditures.....	14.2	15.4	15.2	16.9	61.7	15.3	16.2	16.1	18.0	65.7	16.6	18.6	18.9	20.5	74.6	18.8	19.8	20.3	23.0	81.9
11	Equals: Net savings of individuals.....	1.7	1.1	1.6	1.6	6.0	1.7	1.5	2.3	2.0	7.5	2.3	2.5	4.0	4.8	13.7	4.0	6.1	8.2	8.6	26.9

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

Table 13.—Relation of Gross National Products to National Income, Quarterly, 1939-42¹

(Billions of dollars)

Line	Item	1939					1940					1941					1942				
		I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total	I	II	III	IV	Total
1	National income.....	16.6	17.2	17.6	19.4	70.8	18.8	19.3	21.4	21.4	77.8	20.8	23.0	24.7	27.1	95.6	26.3	28.5	30.9	34.1	119.8
2	Business tax and nontax liabilities.....	2.4	2.5	2.7	2.8	10.4	2.8	3.0	3.2	3.5	12.4	4.0	4.5	4.8	5.0	18.3	5.6	5.9	6.2	6.5	24.2
3	Depreciation and depletion charges.....	1.6	1.6	1.6	1.6	6.2	1.6	1.6	1.6	1.6	6.4	1.7	1.7	1.8	1.8	6.9	1.9	1.9	2.0	2.0	7.8
4	Other business reserves.....	.2	.2	.2	.2	.8	.2	.2	.2	.2	.9	.2	.2	.2	.3	1.0	.3	.3	.3	.3	1.0
5	Capital outlays charged to current expenses.....	.2	.2	.2	.2	.7	.2	.2	.2	.3	.9	.3	.4	.4	.4	1.5	.3	.4	.4	.4	1.5
6	Inventory revaluation adjustment.....	(?)	(?)	-.1	-.3	-.4	-.1	(?)	-.1	-.2	-.4	-.5	-.7	-.9	-1.1	-3.2	-.9	-.7	-.1	-.2	-1.9
7	Adjustment for discrepancies.....	-.3	.3	-.4	.5	0	-.2	-.2	-.8	.2	-.9	-.5	.2	-.8	.3	-.8	-1.3	.2	-.8	.9	-.9
8	Gross national product or expenditure.....	20.5	21.0	21.8	24.5	88.6	22.7	23.6	27.1	27.1	97.0	20.0	29.3	30.2	33.7	119.2	32.2	36.5	38.8	44.0	151.6

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

Table 14.—National Income, by Industrial Divisions, 1929-42

(Millions of dollars)

Industrial division	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
Total national income.....	83,326	88,858	94,479	100,063	106,322	112,455	118,719	124,924	131,513	138,200	145,829	153,809	161,618	169,791
Agriculture.....	6,772	5,197	3,569	2,354	2,992	3,474	4,983	5,331	6,106	4,973	5,230	5,312	7,338	11,044
Mining, total.....	1,919	1,361	811	539	605	980	1,025	1,729	1,213	1,418	1,762	2,106	2,448	3,448
Anthracite.....	273	266	213	141	130	160	132	136	104	117	127	152	180	250
Bituminous coal.....	656	526	394	247	273	426	449	531	566	467	503	615	778	1,051
Metal.....	366	164	49	-12	43	95	131	207	339	189	244	299	358	392
Nonmetal.....	207	164	100	45	24	78	86	134	163	117	158	202	241	241
Oil and gas.....	417	241	65	118	135	231	227	390	533	341	416	563	616	694
Manufacturing, total.....	20,897	15,471	10,344	6,217	8,410	10,803	12,790	15,611	18,016	13,370	16,965	20,254	27,622	36,667
Food, beverages and tobacco.....	2,478	2,280	1,828	1,419	1,580	1,933	2,007	2,249	2,284	2,192	2,379	2,484	2,828	3,197
Paper, printing and publishing.....	2,191	2,026	1,609	1,110	1,166	1,366	1,490	1,670	1,576	1,619	1,729	1,905	2,175	2,239
Textiles and leather.....	3,187	2,142	1,837	1,204	1,869	2,004	2,300	2,542	2,610	2,175	2,711	2,849	3,302	4,291
Construction materials and furniture.....	2,169	1,519	808	340	597	785	997	1,348	1,500	1,244	1,531	1,809	2,368	2,628
Chemicals and petroleum refining.....	1,833	1,273	759	621	733	899	1,021	1,249	1,474	1,145	1,482	1,802	2,261	2,794
Machinery, transportation equipment and other metal products.....	8,169	5,046	3,225	1,290	2,128	3,333	4,302	5,849	7,403	4,573	6,292	8,453	12,888	19,901
Miscellaneous and rubber.....	3,870	2,585	1,418	227	347	483	588	703	779	622	841	952	1,300	1,617
Contract construction.....	3,847	2,616	1,777	854	541	608	879	1,447	1,703	1,771	1,942	2,138	3,466	4,551
Transportation, total.....	6,982	6,081	4,302	3,534	3,006	3,795	4,084	4,767	3,080	4,323	4,950	5,412	6,492	8,049
Steam railroads, Pullman and express.....	4,632	3,871	2,975	2,080	2,120	2,330	2,409	2,635	2,866	2,458	2,830	3,096	3,837	4,912
Water transportation.....	470	416	343	254	220	304	362	423	492	390	470	540	624	759
Street railways.....	681	626	509	428	371	370	353	397	382	331	348	379	439	450
Motor transportation, public warehouses and other transportation.....	1,199	1,138	1,075	866	835	885	960	1,112	1,220	1,138	1,293	1,397	1,652	1,928
Power and gas.....	1,427	1,326	1,242	1,097	1,027	1,128	1,153	1,244	1,405	1,370	1,450	1,587	1,750	1,871
Communication.....	1,046	1,013	909	726	639	724	778	862	925	865	925	1,037	1,017	1,065
Trade, total.....	11,878	9,710	7,794	5,552	6,322	7,428	8,153	9,436	10,439	9,823	10,958	12,222	14,434	15,639
Retail.....	7,731	6,477	5,313	3,812	4,253	5,072	5,406	6,256	6,932	6,484	7,135	7,878	9,257	10,063
Wholesale.....	4,147	3,242	2,476	1,740	2,069	2,356	2,687	3,170	3,507	3,339	3,821	4,344	5,177	5,576
Finance, total.....	10,136	8,631	7,025	5,300	4,768	5,132	5,980	6,483	6,997	6,691	7,273	8,073	9,073	9,833
Banking.....	1,454	1,224	814	624	455	563	711	830	967	927	973	1,073	1,377	1,528
Insurance.....	1,287	1,145	1,037	955	905	960	1,026	1,067	1,224	1,216	1,193	1,142	1,173	1,268
Security brokerage and real estate.....	7,415	6,282	5,174	3,721	3,778	3,609	3,943	4,566	4,706	4,548	4,625	4,737	5,109	5,300
Government, total.....	6,407	6,521	6,505	6,557	6,631	6,652	7,950	8,291	9,114	9,869	9,687	10,503	11,503	10,391
Federal.....	2,153	2,140	2,214	2,228	2,633	3,720	3,905	4,997	4,623	5,143	5,169	5,367	6,433	11,294
State, county, local and public education.....	4,249	4,381	4,381	4,329	3,998	3,932	4,045	4,294	4,491	4,726	4,518	5,136	5,070	6,097
Services.....	8,815	7,461	6,340	4,730	4,689	5,183	5,506	6,254	6,904	6,657	6,957	7,440	8,019	9,152
Miscellaneous.....	4,000	3,471	2,971	2,403	2,192	2,519	2,692	2,894	3,103	3,070	3,244	3,460	4,182	4,491

¹ Includes work-relief wages shown separately in table 15; excludes subsistence to members of the armed forces.

Table 15.—National Income by Distributive Shares, 1929-42

(Millions of dollars)

Type of share	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
Total national income.....	83,326	88,858	94,479	100,063	106,322	112,455	118,719	124,924	131,513	138,200	145,829	153,809	161,618	169,791
Total compensation of employees.....	33,006	48,180	40,605	31,661	29,831	34,475	37,509	43,024	48,262	45,105	48,075	52,352	64,561	83,668
Total salaries and wages.....	52,556	47,050	40,021	31,027	28,698	32,590	35,616	39,979	44,989	41,181	44,236	48,636	60,382	80,293
Salaries and wages in private industry.....	47,546	42,510	34,896	26,056	24,246	27,979	30,590	34,508	39,267	35,183	37,960	41,015	52,025	66,757
Salaries and wages in governmental agencies ¹	5,010	5,140	5,125	4,971	4,453	4,617	5,026	5,462	5,722	5,998	6,246	6,771	8,257	13,536
Total supplements to salaries and wages.....	610	530	584	634	1,133	1,879	1,893	3,054	3,273	3,924	3,839	3,666	3,679	3,575
Work-relief wages ²	510	430	584	634	1,133	1,879	1,893	3,054	3,273	3,924	3,839	3,666	3,679	3,575
Social Security contributions of employers ³	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Other labor income ⁴	510	530	584	634	1,133	1,879	1,893	3,054	3,273	3,924	3,839	3,666	3,679	3,575
Net income of incorporated business.....	7,104	1,723	-1,614	-3,646	-625	549	1,668	3,767	3,943	1,658	4,228	5,844	7,668	7,600
Dividends.....	5,944	4,634	4,280	2,727	2,193	2,725	2,931	4,655	4,745	3,172	3,966	4,046	4,403	4,403
Business savings.....	1,260	-3,911	-5,894	-6,373	-2,818	-2,176	-1,263	-888	-802	-1,514	-422	1,798	3,265	3,247
Net income of proprietors ⁵	13,030	10,018	7,264	4,849	6,549	9,476	10,870	11,919	10,122	11,151	12,100	15,498	20,074	20,074
Agriculture.....	5,174	3,768	2,416	1,488	2,224	2,667	4,088	4,401	5,080	4,013	4,291	4,362	6,245	6,710
Other.....	8,456	6,250	4,848	3,361	4,325	6,809	6,782	7,518	5,042	7,138	7,809	11,136	13,829	13,364
Interest.....	5,807	6,048	5,957	5,628	5,110	5,176	5,106	5,130	5,146	5,068	5,085	5,129	5,250	5,378
Net rents and royalties.....	3,569	2,889	2,267	1,471	1,457	1,729	1,960	2,133	2,243	2,247	2,290	2,324	2,641	3,071
Addendum: Net income of incorporated business before Federal taxes.....	8,387	2,441	-1,221	-3,364	-208	1,135	2,403	4,958	5,219	2,518	5,460	8,388	14,008	19,700

¹ Excludes subsistence to members of the armed forces.² Includes pay rolls and maintenance of Civilian Conservation Corps enrollees and payrolls of Civil Works Administration, Federal Emergency Relief Administration, and the Federal Works Program projects plus administrative pay rolls outside of Washington, D. C., for all except the Federal Works Program. Area office employees and their pay rolls under the Federal Works Program are included with the regular Federal Government employment and pay-roll figures.³ Includes contributions to Railroad Retirement and Railroad Unemployment Compensation Funds.⁴ Employer contributions to pension funds under private plans and under systems for government employees, compensation for industrial injuries, etc.⁵ Includes owners' remuneration for personal services and capital.

Table 16.—National Income by Minor Industrial Divisions and Distributive Shares, 1929, 1932, and 1939-42

[Millions of dollars]

Industry and year	Total income	Compensation of employees		Net income of incorporated business		Net income of proprietors	Interest and net rents and royalties
		Total	Salaries and wages only	Total	Dividends only		
All industries:							
1929	83,326	53,066	52,556	7,194	5,944	13,630	9,436
1932	89,963	51,661	51,027	-3,646	2,727	4,849	7,009
1939	70,829	48,075	44,236	4,228	3,806	11,151	7,375
1940	77,809	52,352	48,056	5,844	4,046	12,160	7,453
1941	95,618	64,561	60,882	7,668	4,403	15,408	7,891
1942	119,791	83,608	80,293	7,600	3,953	20,074	8,449
Agriculture:							
1929	0,772	1,256	1,284	20	20	5,174	1,202
1932	2,354	588	584	6	6	1,488	274
1939	5,230	740	738	15	15	4,291	184
1940	5,312	754	751	17	17	4,362	179
1941	7,338	806	803	21	21	6,245	170
1942	11,044	1,127	1,124	31	31	9,710	176
Mining, total:							
1929	1,019	1,635	1,602	168	365	71	45
1932	539	730	709	-207	81	-22	38
1939	1,418	1,245	1,178	46	177	93	24
1940	1,762	1,404	1,332	114	240	213	31
1941	2,106	1,694	1,609	145	201	236	31
1942	2,448	1,981	1,886	126	270	312	29
Anthracite:							
1929	273	263	257	2	16	8	8
1932	141	149	146	-18	6	10	10
1939	117	128	129	-13	3	17	17
1940	127	122	114	-1	3	16	16
1941	162	140	131	6	4	10	10
1942	180	167	156	7	4	16	16
Bituminous coal:							
1929	656	652	636	-12	27	1	15
1932	217	286	275	-45	7	-3	9
1939	503	508	477	-12	9	7	7
1940	615	599	564	8	15	3	5
1941	778	754	712	13	18	6	5
1942	951	925	876	16	17	6	5
Metal:							
1929	300	216	212	146	195	2	2
1932	-12	59	57	-74	11	-3	6
1939	244	160	152	78	95	1	5
1940	299	193	184	97	111	4	5
1941	358	240	220	109	135	4	5
1942	382	284	272	88	126	5	5
Nonmetal:							
1929	207	154	151	35	58	8	10
1932	45	69	68	-27	21	-1	4
1939	138	110	105	16	18	5	7
1940	158	129	124	17	19	5	7
1941	202	170	163	20	23	5	7
1942	241	211	203	18	19	6	6
Oil and gas:							
1929	417	350	346	-3	60	60	10
1932	118	167	163	-43	36	-15	0
1939	416	339	324	-18	55	87	8
1940	563	361	346	-7	92	201	8
1941	616	390	374	-3	111	221	8
1942	694	394	379	-2	104	295	7
Manufacturing, total:							
1929	20,897	16,382	16,299	3,885	2,743	418	212
1932	6,217	7,673	7,507	-1,612	1,119	-38	194
1939	16,965	13,828	13,189	2,588	1,842	315	234
1940	20,254	16,066	15,372	3,531	2,026	423	234
1941	27,622	22,424	21,503	4,454	2,127	501	243
1942	36,667	31,876	30,706	3,980	1,780	577	225
Food, beverages and tobacco:							
1929	2,478	1,844	1,835	519	402	68	47
1932	1,419	1,202	1,191	154	202	29	34
1939	2,370	1,754	1,671	503	371	36	36
1940	2,484	1,851	1,761	503	386	94	36
1941	2,828	2,111	2,009	570	384	111	36
1942	3,197	2,477	2,367	503	380	123	34
Paper, printing and publishing:							
1929	2,191	1,795	1,792	262	190	82	32
1932	1,110	1,170	1,167	-96	80	6	31
1939	1,720	1,437	1,442	160	125	46	26
1940	1,905	1,582	1,526	230	133	67	26
1941	2,175	1,806	1,743	271	140	72	26
1942	2,239	1,952	1,889	179	87	84	24
Textiles and leather:							
1929	3,187	2,907	2,902	170	216	99	11
1932	1,204	1,534	1,529	-304	74	-26	0
1939	2,711	2,470	2,369	170	109	62	9
1940	2,849	2,573	2,474	193	114	74	9
1941	3,802	3,381	3,253	325	120	87	9
1942	4,291	3,893	3,755	293	114	97	8
Construction materials and furniture:							
1929	2,169	1,941	1,925	159	181	49	20
1932	346	644	636	-283	42	-30	15
1939	1,631	1,322	1,260	153	131	42	14
1940	1,809	1,605	1,439	227	155	63	14
1941	2,368	1,977	1,891	293	163	84	14
1942	2,028	2,304	2,209	195	134	116	13
Manufacturing—Chemicals and petroleum refining:							
1929	1,833	1,000	981	770	485	31	32
1932	621	611	599	-37	280	1	40
1939	1,482	970	912	436	342	14	62
1940	1,802	1,187	1,119	535	350	18	62
1941	2,261	1,557	1,474	619	367	21	64
1942	2,794	2,204	2,098	509	308	21	60
Machinery, transportation equipment, and other metal products:							
1929	8,169	6,151	6,112	1,888	1,149	81	40
1932	1,290	2,158	2,124	-905	307	-14	51
1939	6,292	5,142	4,901	1,031	679	50	69
1940	8,453	6,584	6,316	1,700	838	91	69
1941	12,888	10,514	10,117	2,190	889	108	76
1942	19,901	17,627	17,044	2,087	735	116	71
Miscellaneous and rubber:							
1929	870	744	742	97	119	8	21
1932	227	354	351	-141	44	-3	17
1939	841	673	634	135	85	15	18
1940	952	784	737	134	70	16	18
1941	1,300	1,078	1,010	186	73	18	18
1942	1,617	1,419	1,344	163	61	20	15
Contract construction:							
1929	3,547	2,995	2,947	92	60	445	15
1932	854	846	806	-95	19	95	9
1939	1,942	1,633	1,550	14	22	280	6
1940	2,138	1,787	1,674	39	23	326	6
1941	3,468	2,908	2,753	95	28	450	7
1942	4,851	4,181	3,961	120	29	544	6
Transportation, total:							
1929	6,962	4,896	4,792	1,108	789	295	623
1932	3,684	2,681	2,791	-94	349	212	635
1939	4,950	3,837	3,620	351	299	309	453
1940	5,412	4,085	3,838	549	282	338	440
1941	6,492	4,698	4,421	911	358	405	478
1942	8,049	5,743	5,410	1,357	365	485	464
Steam railroads, Pullman and express:							
1929	4,652	3,299	3,228	843	439	510	510
1932	2,086	1,742	1,686	-166	75	510	510
1939	2,830	2,233	2,099	245	127	352	352
1940	3,096	2,369	2,207	386	160	341	341
1941	3,837	2,800	2,612	658	177	379	379
1942	4,912	3,497	3,266	1,045	190	370	370
Water transportation:							
1929	470	410	408	41	29	4	6
1932	254	258	246	-20	12	3	13
1939	479	430	416	35	32	4	10
1940	540	400	451	56	43	5	10
1941	624	512	494	97	52	5	10
1942	750	646	620	100	50	5	8
Street railways:							
1929	661	470	464	101	148	90	90
1932	428	316	312	22	82	90	90
1939	348	326	312	-33	6	75	75
1940	379	330	315	-24	4	73	73
1941	379	327	312	-21	5	73	73
1942	480	390	374	-12	5	72	72
Motor transportation, public warehouses, and other transportation:							
1929	1,199	708	692	183	173	291	17
1932	866	565	547	70	189		

Table 16.—National Income by Minor Industrial Divisions and Distributive Shares, 1929, 1932, and 1939-42—Continued

(Millions of dollars)

Industry and year	Total income	Compensation of employees		Net income of incorporated business		Net income of proprietors	Interest and net rents and royalties ¹
		Total	Salaries and wages only	Total	Dividends only		
Trade, total—Con.							
Retail:							
1929	7,731	5,715	5,701	374	306	1,589	43
1932	3,812	3,677	3,662	-507	145	603	39
1939	7,135	5,233	5,071	345	289	1,517	40
1940	7,878	5,651	5,493	438	301	1,747	42
1941	9,257	6,549	6,373	504	365	2,189	45
1942	10,063	7,161	6,983	537	386	2,323	42
Wholesale:							
1929	4,147	3,086	3,083	233	200	812	16
1932	1,740	1,954	1,951	-261	09	31	16
1939	3,821	2,826	2,701	252	170	723	20
1940	4,344	3,040	2,914	329	164	955	20
1941	5,177	3,607	3,468	350	199	1,100	21
1942	5,596	3,925	3,778	300	194	1,382	10
Finance, total:							
1929	10,136	2,006	2,686	639	826	781	6,810
1932	5,300	2,072	2,057	-521	413	229	3,520
1939	6,796	2,338	2,248	260	413	325	3,867
1940	9,973	2,413	2,324	332	443	339	3,880
1941	7,659	2,596	2,508	517	453	336	4,210
1942	8,333	2,812	2,725	575	409	367	4,589
Banking:							
1929	1,454	826	800	628	467		
1932	924	628	617	-4	280		
1939	978	650	620	328	214		
1940	1,064	671	634	423	237		
1941	1,377	745	709	632	242		
1942	1,525	838	808	690	219		
Insurance:							
1929	1,267	987	984	104	85	205	-32
1932	955	842	838	-50	39	184	-21
1939	1,193	993	932	45	65	215	-35
1940	1,142	988	952	-28	59	220	-38
1941	1,173	1,052	1,017	-70	60	229	-38
1942	1,299	1,151	1,116	-95	54	281	-38
Security brokerage and real estate:							
1929	7,415	1,093	1,093	-93	274	573	5,842
1932	3,721	602	602	-467	94	45	3,541
1939	4,025	720	696	-107	139	110	3,902
Finance—Continued.							
Security brokerage and real estate—Con.							
1940	4,737	754	738	-63	147	119	3,927
1941	5,109	799	782	-45	151	107	4,248
1942	5,506	823	806	-20	136	76	4,627
Government, total:							
1929	6,407	5,154	5,010				1,253
1932	6,557	5,274	4,971				1,283
1939	9,987	8,456	8,246				1,431
1940	10,303	8,713	8,571				1,509
1941	11,508	9,848	9,657				1,653
1942	16,391	14,439	13,536				1,952
Federal: ²							
1929	2,158	1,489	1,398				660
1932	2,228	1,590	1,359				638
1939	5,169	4,169	2,078				1,090
1940	5,367	4,291	2,470				1,076
1941	6,433	5,289	3,825				1,144
1942	11,294	9,842	9,071				1,452
State, county, local and public education:							
1929	4,240	3,665	3,612				584
1932	4,329	3,084	3,612				645
1939	4,818	4,287	4,165				581
1940	4,936	4,422	4,301				514
1941	5,070	4,559	4,432				511
1942	5,097	4,507	4,405				500
Service:							
1929	8,315	5,418	5,392	132	85	2,717	48
1932	4,730	3,474	3,445	-218	21	1,439	35
1939	6,957	4,640	4,511	48	76	2,226	43
1940	7,449	4,958	4,861	75	79	2,338	48
1941	8,019	5,274	5,150	111	96	2,583	51
1942	9,152	6,068	5,925	125	91	2,922	47
Miscellaneous:							
1929	4,000	2,207	2,198	-178	-91	1,318	653
1932	2,403	1,453	1,437	-203	-136	812	541
1939	3,244	1,915	1,891	-293	-121	1,063	564
1940	3,460	2,017	1,996	-247	-186	1,119	571
1941	4,182	2,470	2,458	-244	-180	1,367	570
1942	4,461	2,686	2,666	-235	-170	1,492	518

¹ All rents and royalties are included in the "security brokerage and real estate" industry. For the estimates of rents and royalties see table 15.

² Includes work relief wages shown separately in table 15; excludes subsistence to members of the armed forces.

TABLE 10

Line 1.—Figure for year 1939: Table 13, line 8; other figures: Line 2 plus line 7.
 Line 2.—Line 3 plus line 6.
 Line 3.—Line 4 plus line 5.
 Line 4.—Table A, line 14.
 Line 5.—Table A, line 22.
 Line 6.—Table A, line 25.
 Line 7.—Line 8 plus line 10.
 Line 8.—Line 9 plus line 13 plus line 14 plus line 15.
 Line 9.—Line 10 plus line 11.
 Line 10.—Cf. *Survey of Current Business*, May and August 1942, and current issues.
 Line 11.—Same source; includes construction by public-service enterprises.
 Line 12.—Annual estimates published in *Survey of Current Business*, April 1942, revised. Adjustments were made to eliminate government purchases for 1940, 1941, and 1942. For prior years the amount of government purchases included in the commodity flow is relatively small. Quarterly data were obtained by interpolating the annual data by relevant series on shipments, sales, etc., of groups of producers' durable equipment.
 Line 13.—Accounting figures for inventories, except farm inventories, from *Statistics of Income* were supplemented with estimates of inventories held by noncorporate enterprise. Deflated by price indexes representing the lower of cost or market. Changes in the deflated series were multiplied by annual average price indexes to obtain the current value of the physical change. Farm inventories are from the Bureau of Agricultural Economics and also represent changes in physical quantities at current prices. The annual estimates (except farm) were distributed among the four quarters in proportion to the quarterly change in the total book value of inventories. The quarterly book values were obtained by interpolating annual year-end estimates by estimates of the book value of manufacturing, wholesale, and retail trade inventories prepared in the Current Business Analysis Unit of the Bureau of Foreign and Domestic Commerce.
 Line 14.—1939 and 1940: Estimates of the Department of Commerce interpolated by monthly estimates prepared in the Division of Research and Statistics of the Federal Reserve Board. 1941 and 1942: Federal Reserve Board. Lend-Lease exports excluded throughout.
 Line 15.—Net exports of gold and silver plus changes in the monetary stock of gold and silver. Changes in the monetary stock of silver were estimated by deducting exports of silver from the acquisitions of domestic and foreign silver by mint and assay offices.

Lines 16 to 19.—The method of deriving consumer expenditures has been changed from that described in the *Survey of Current Business*, May and August 1942. Although the bulk of the work of estimating consumer expenditures directly has been completed, the estimates being derived by two methods have not yet been reconciled and are not in final form. Consequently, it was most convenient to obtain the total of consumer expenditures for 1939 as previously by deducting government and gross capital expenditures from gross national product as estimated in table 13. Consumer expenditures thus obtained as a residual lay between the two preliminary estimates obtained by direct methods.

Annual estimates after 1939 and the quarterly estimates, however, were obtained from the 1939 figure by means of the changes shown in "Monthly Estimates of Total Consumers' Expenditures, 1935-42," *Survey of Current Business*, October 1942, after the following conceptual adjustments had been made: (1) Depreciation on owner-occupied houses was deducted, (2) gifts of individuals to nonprofit institutions and a small allowance for consumption expenditure of institutions out of endowment income were added, and (3) personal remittances to foreign countries were added. The break-down of consumers' expenditures for goods was derived by adjusting the estimates for each group obtained by the two direct methods to the totals described above.

TABLE 11

This table presents national income by quarters in the form in which annual data have regularly been published. Quarterly figures were first published and described in the *Survey of Current Business* for June 1942.

TABLE 12

Line 1.—Table 11, line 1.
 Line 2.—Table A, line 20.
 Line 3.—Table 11, line 11.
 Line 4.—Table B, line 48.
 Line 5.—Line 1 plus line 2 minus line 3 minus line 4.
 Line 6.—Line 7 plus line 8.
 Line 7.—Table B, line 22.
 Line 8.—Table B, line 43.
 Line 9.—Line 5 minus line 6.
 Line 10.—Table 10, line 16.
 Line 11.—Line 9 minus line 10.

Table A.—Derivation of Government Expenditure Series, Calendar Years, 1939-42¹

(Billions of dollars)

Line	Item	1939	1940	1941	1942
I.	Federal budget expenditures:				
1	Interest on public debt.....	1.0	1.1	1.1	1.5
2	Social Security program.....	.5	.5	.6	.7
3	Veterans' Administration.....	.6	.6	.6	.6
4	Aids to agriculture.....	1.5	1.3	1.1	1.2
5	Public works.....	1.1	.8	.7	.6
6	Work relief and Civilian Conservation Corps.....	2.1	1.8	1.5	.7
7	Other.....	.8	.9	.8	.9
8	Total nonwar expenditures.....	7.5	6.9	6.4	6.2
9	War expenditures.....	1.4	2.8	12.7	49.9
10	Total budget expenditures.....	8.9	9.7	19.1	56.0
II.	Derivation of war expenditure series:				
11	Budget war expenditures.....	1.4	2.8	12.7	49.9
12	War corporations, net nonloan transactions.....		(2)	.6	1.9
13	Net prepayments, purchase of existing assets, offshore expenditures, etc. (deduct).....		.1	.8	2.7
14	Federal war expenditures on goods and services.....	1.4	2.7	12.5	49.1
III.	Derivation of Federal nonwar expenditure series:				
15	Budget nonwar expenditures.....	7.5	6.9	6.4	6.2
16	Capital transactions (deduct).....	.4	(2)	(2)	.1
17	Refunds of taxes and duties (deduct).....	.1	.1	.1	.1
18	Relief and veterans' pensions (deduct).....	.7	.7	.8	.8
19	Transfers to trust accounts (deduct).....	.2	.3	.4	.5
20	Government employees' retirement funds, U. S. share.....	.1	.1	.1	.1
21	Corporations, nonwar, net nonloan transactions.....	.3	.1	.1	.4
22	Federal nonwar expenditures on goods and services.....	6.5	6.1	5.3	5.1
IV.	Derivation of State and local expenditure series:				
23	State and local budget expenditures.....	8.9	8.6	8.5	8.0
24	Relief (deduct).....	.8	.7	.7	.6
25	State and local expenditures on goods and services.....	8.1	7.9	7.8	7.4
V.	Derivation of transfer payment series:				
26	Pensions and relief included in budgets.....	1.5	1.5	1.4	1.5
27	Food stamps and veterans' bonus.....	(2)	.1	.1	.1
28	Payments from social insurance funds.....	.9	1.0	.9	1.0
29	Total transfer payments.....	2.4	2.6	2.5	2.6

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

TABLE 13

Line 1.—Table 11, line 1.

Line 2.—Table B, line 21 plus line 42.

Line 3.—Corporate depreciation and depletion charges from *Statistics of Income*, raised to cover unincorporated business. Depreciation of rented residences owned by individuals is based on estimates of Solomon Fabricant published in *Capital Consumption and Adjustment*. Figures on noncorporate agricultural depreciation are from Bureau of Agricultural Economics. Quarterly data were derived by straight-line interpolation. Estimates for recent years, for which *Statistics of Income* are not available, were derived by utilizing information on the trend of mineral production, for depletion, and of nonresidential construction and private purchases of durable producers' goods, for business depreciation. The recent sharp increase in the total reflects mainly the effects of the special amortization provisions of the Second Revenue Act of 1940. Estimates of special amortization are based on statistics of certificates of necessity approved.

Line 4.—Charges to bad debt reserves based on *Statistics of Income*, raised to cover unincorporated business. Quarterly figures obtained by straight-line interpolation. Conceptually this item should include certain other business reserves but estimates of these are not yet available.

Line 5.—Represents the portion of the outlay for producers' durable equipment (cf. table 10, line 12) estimated to have been charged to current expense. Estimates of the percentages of various types of producers' durable equipment charged to current expense were made on the basis of the commodity tabulations of the *Output of Manufactured Commodities* prepared in the National Income Unit. This procedure involves a judgment as to the types of durable equipment that are charged to current expense rather than depreciated in prevailing business practice. These percentages were applied to the estimates of expenditures on corresponding types of producers' durable equipment.

Line 6.—This item represents the difference between changes in the book value of business inventories and the physical-quantity change in those inventories expressed in current prices. Cf. note to line 13, table 10.

Line 7.—This item equals the difference between the estimates of national product derived by adding line 2 to line 6 to national income and those obtained by summing the estimates of consumer expenditures, private gross capital formation, and government expenditures. For the year 1939 as a whole this discrepancy is zero, because for that year total consumer expenditures were obtained as a residual by deducting from national product, as estimated by adding line 2 to line 6 to national income, the sum

Table B.—Derivation of Government Receipt Series, Calendar Years, 1939-42¹

(Billions of dollars)

Line	Item	1939	1940	1941	1942
I.	Federal budget receipts:				
1	Income and profit taxes:				
2	Individual income.....	0.9	1.0	1.6	4.1
3	Corporation income and profit.....	1.0	1.3	2.6	7.0
4	Total.....	1.9	2.4	4.3	11.1
5	Miscellaneous internal revenue:				
6	Estate and gift.....	.4	.3	.4	.5
7	Capital stock.....	.1	.2	.3	.3
8	Other.....	1.8	2.1	2.7	3.5
9	Total.....	2.3	2.6	3.4	4.4
10	Employment taxes.....	.8	.9	1.0	1.3
11	Customs.....	.3	.3	.4	.3
12	Nontax receipts.....	.2	.3	.5	.3
13	Total budget receipts.....	5.5	6.4	9.6	17.4
14	Less: Appropriations to old-age account.....	.6	.6	.8	1.0
15	Net budget receipts.....	4.9	5.8	8.8	16.4
II.	Derivation of Federal tax and nontax series:				
16	Total budget receipts.....	5.5	6.4	9.6	17.4
17	Employment taxes (deduct).....	.8	.9	1.0	1.3
18	Capital transactions in nontax receipts (deduct).....	.1	.2	.4	.1
19	Excess of business tax liabilities over collections.....	.3	1.3	4.5	5.1
20	Total Federal tax and nontax series.....	4.9	6.7	12.6	21.0
21	Business tax and nontax liabilities:				
22	Corporation income and profits.....	1.2	2.6	6.9	12.1
23	All other.....	2.4	2.7	3.7	4.3
24	Total.....	3.6	5.3	10.6	16.4
25	Personal tax and nontax payments.....	1.3	1.4	2.0	4.7
26	Total.....	4.9	6.7	12.6	21.0
III.	State and local budget receipts:				
27	State:				
28	Sales taxes:				
29	Gasoline.....	.8	.9	1.0	.9
30	General.....	.5	.5	.6	.6
31	Other.....	.3	.3	.4	.4
32	Total.....	1.6	1.7	2.0	1.9
33	Taxes on specific business and licenses.....	.8	.9	.9	.9
34	Individual income.....	.2	.2	.2	.3
35	Estate and gift.....	.1	.1	.1	.1
36	Corporation income.....	.1	.2	.2	.3
37	Other taxes.....	.1	.1	.1	.1
38	Nontax receipts.....	.4	.4	.4	.4
39	Property taxes (State and local).....	4.3	4.4	4.5	4.6
40	Other local taxes and nontax receipts.....	1.0	1.0	1.0	1.0
41	Total budget receipts.....	8.7	9.1	9.5	9.7
42	IV. Derivation of State and local tax and nontax series:				
43	Total budget receipts.....	8.7	9.1	9.5	9.7
44	Excess of business tax liabilities over collections.....	(2)	(2)	.1	.1
45	Total State and local tax and nontax series.....	8.7	9.1	9.6	9.8
46	Business tax and nontax liabilities:				
47	Corporation income.....	.2	.2	.3	.4
48	All other.....	6.6	7.0	7.4	7.4
49	Total.....	6.8	7.2	7.7	7.8
50	Personal tax and nontax payments.....	1.9	1.9	1.9	2.0
51	Total.....	8.7	9.1	9.6	9.8
52	V. Derivation of contribution to social insurance fund series:				
53	Employment taxes in Federal budget.....	.8	.9	1.0	1.3
54	Other employment taxes.....	1.0	1.1	1.4	1.7
55	Government contributions to Government employee retirement funds.....	.2	.2	.2	.2
56	Total contributions to social insurance funds.....	2.0	2.1	2.6	3.3

¹ Detail will not necessarily add to totals because of rounding.² Less than \$50,000,000.

of government expenditures and private gross capital formation. For other periods the discrepancy is due to the fact that the estimates of gross national product obtained from the product side in the manner indicated in the notes to table 10 differ from those obtained by adding line 2 to line 6 to national income.

Line 8.—Sum of line 1 through line 7.

TABLES A AND B

The main function of tables A and B is to show the relation between the various government series entering the gross national product tables and published statistics on government finance.

The general manner of deriving government expenditures on goods and services is to eliminate from total government expenditures all those that either do not enter the income account of the next recipient or represent transfer payments and hence are not included in national income. It may be noted that subsidies are not deducted from government expenditures and are, therefore, implicitly counted as a purchase of current output. This procedure is not considered the most preferable conceptually, and is adopted mainly because of lack of data.

For purposes of use in the gross national product tables a break-down of government receipts into business taxes and non-taxes, personal taxes and non-taxes, and contributions to social insurance funds is found most convenient. Personal taxes and non-tax payments include all taxes and non-tax payments to government, exclusive of employment taxes, that are paid out of individual incomes. Business taxes and non-tax liabilities include corporation income and profits taxes and all tax and non-tax liabilities to government that appear as business expense. Table B indicates the items included in these categories. Business taxes and non-taxes enter into the calculation of business incomes on a liability basis. They must, therefore, be added on a liability basis to the sum of factor incomes to obtain a sum that equals the value of the product at market price.

TABLE A

Lines 1 to 10.—Treasury Bulletin classification.
Line 11.—Line 9.
Line 12.—Treasury Bulletin. Sources and Uses of Funds of Certain Government Corporations and Agencies. War Corporations: Expenses, purchase and improvement of property owned, interest and dividends paid, and other expenditures minus sale of other property acquired, interest, dividends, assessments, and other property income, and other receipts.
Line 13.—These adjustments include net prepayments and purchases of existing assets (mainly purchases of land), that do not constitute purchases of current output, and certain offshore expenditures that do not find reflection in the balance of payments on current account. Also includes Government contribution to allowances for soldiers' dependents and several minor items not constituting expenditures on goods and services.
Line 14.—Line 11 plus line 12 minus line 13.
Line 15.—Line 8.
Line 16.—Daily Treasury Statement and U. S. Budget. Includes loan transactions, and subscriptions to and repayments of capital in general expenditures and revolving funds. Purchases of land estimated from U. S. Budget.
Line 17.—Daily Treasury Statement.
Line 18.—Social Security Board and Veterans' Administration. Relief includes estimated Federal share of special types of public assistance and subsistence payments certified by the Farm Security Administration.
Line 19.—Daily Treasury Statement.
Line 20.—Daily Treasury Statement.—Fiscal year figures equally distributed over quarters.
Line 21.—Treasury Bulletin. Sources and Uses of Funds of Certain Government Corporations and Agencies. Reconstruction Finance Corporation group (including Reconstruction Finance Corporation, Disaster Loan Corporation, Federal National Mortgage Association, and RFC Mortgage Company): Expenses, interest and dividends paid, and other expenditures minus interest, dividends, assessments, and property income, and other receipts. *Commodity Credit Corporation:* Same items plus purchase and improvements of property and loans minus sale of other property acquired and repayment of loans. *Inclusion of latter items for the Commodity Credit Corporation is due to the fact that property transactions refer to items that are part of current production and that loans by the Commodity Credit Corporation are part of agricultural income.*
Line 22.—Lines 15 minus 16 minus 17 minus 18 minus 19, plus 20 plus 21.
Line 23.—Line 24 plus line 25.
Line 24.—Social Security Board. General relief and estimated State and local share of special types of public assistance.
*Line 25.—The basic information was obtained mainly from the publications of the Bureau of the Census, Division of State and Local Governments. The statistics cover fiscal years ended in a given calendar year. It was assumed that all fiscal years end on June 30. This assumption is satisfactory for school districts, but not for other units. To derive figures that were comparable for the various years, to eliminate duplication between State and local governments, and to eliminate expenditures that do not constitute expenditures on goods and services, numerous modifications had to be made in the published figures of State-cost payments, 1939-41. These included adjustments for local shares of State-collected taxes, grants, relief, pensions, State contributions to pension funds, unemployment compensation benefits, and increases in unemployment compensation reserves. Adjustments in 1941 differed from adjustments required in previous years owing to changes in the presentation of the basic statistics. Local expenditures in 1941 were adjusted for relief, pensions, and unemployment compensation benefits and increases in reserves to obtain expenditures on goods and services. State plus local expenditures on goods and services in fiscal year 1941 were then broken into four components: Interest, education, construction, and all other, a residual. The same was done for local expenditures separately. The interest components were extrapolated by net debt (*Indebtedness in the U. S., 1929-41*, Bureau of Foreign and Domestic Commerce) and distributed equally among quarters. The education components were extrapolated annually and quarterly by education pay rolls (National Income Unit). Quarterly construction figures were based on estimates of the National Income Unit. The "all other" component for local units was extrapolated annually by pay rolls excluding education. Then (State plus local total expenditures) minus (State plus local construction, education, and interest components) equals (State plus local "all other"). The total "all other" component was put on a quarterly basis by State and local pay rolls, with adjustment of quarterly figures secured from pay roll indexes to fiscal year totals as secured above and adjustment for the break between last and first quarters of adjoining fiscal years. State and local components were extrapolated to date from fiscal year 1941 by the same series.*
In each case, expenditures from grants are included in expenditures of the level of government making the grant.
Line 26.—Line 18 plus line 24 plus government contribution to allowance for soldiers' dependents included in line 9.

Line 27.—Agricultural Marketing Administration and Daily Treasury Statement. These payments are made from trust funds and do not appear as budget expenditures.
Line 28.—Social Security Board, Railroad Retirement Board, Civil Service Commission, and data of the Department of Commerce. Comprises benefit payments under Social Security Act and Unemployment Compensation Act, the special railroad schemes, and retirement payments to Federal, State and local employees.
Line 29.—Sum of line 26 through line 28.

TABLE B

Lines 1 to 13.—Daily Treasury Statement and Reports on Collections of Internal Revenue.
Line 14.—Line 11.
Line 15.—Line 8.
Line 16.—Daily Treasury Statement, Treasury Bulletin, and U. S. Budget. Includes return of surplus funds of Government corporations, seignorage, and proceeds of sales of securities owned by Government.
Line 17.—Corporation income and excess profits taxes: Excess of liabilities as given in Statistics of Income, and as estimated from data on corporate profits for 1942, over current collections of these taxes. Capital-stock tax, fiscal year collections allocated to previous calendar year. Excise, stamp taxes, and customs: Collections lagged 1 month. Tax on the use of motor vehicles and boats: Fiscal year collections of the portion of this tax estimated to be paid by business are evenly allocated among the quarters of the fiscal year.
Line 18.—Line 14 minus line 15 minus line 16 plus line 17.
Line 19.—Line 2 plus portion of line 17 representing excess of corporation income and excess profits tax liabilities over collections.
Line 20.—Line 5 plus line 6 exclusive of portion of tax on use of motor vehicles and boats estimated to be paid by individuals plus line 9 plus portion of line 10 estimated to be paid by business plus portion of line 17 representing the excess of liabilities over collections of these taxes.
Line 21.—Line 19 plus line 20.
Line 22.—Line 1 plus line 4 plus portion of tax on use of motor vehicles and boats estimated to be paid by individuals plus portion of line 10 estimated to be paid by individuals.
Line 23.—Line 21 plus line 22 equals line 18.
Lines 24 to 26.—For general source reference and assumption regarding fiscal year endings, see note to line 25 of table A. Calendar-year collections of business taxes for which annual liability and collections coincide were secured by totaling liabilities for the four quarters of the calendar year. Where annual liability and collections do not coincide, the quarterly liability was shifted to obtain taxes on a collection basis. This procedure, although imperfect, gives better results than uniform use of moving averages of fiscal-year collections to obtain calendar-year collections. For methods of deriving quarterly business-tax liabilities and personal-tax collections, cf. notes to lines 40, 41 and 43.
Line 26.—Includes taxes on alcoholic beverages, tobacco, soft drinks, admissions and other commodities.
Line 27.—Line 24 plus line 25 plus line 26.
Line 28.—Includes the group in State Tax Collections: 1941 plus motor vehicle and hunting and fishing licenses.
Line 29.—Includes poll, severance and documentary and miscellaneous taxes.
Line 30.—Estimates of the National Income Unit made in connection with forthcoming study on housing expenditures.
Line 31.—Other local taxes are the residual between total taxes (1941 figure extrapolated by National Industrial Conference Board estimates of local-tax collections) and property taxes (cf. note to line 34). Local non-tax receipts for years previous to 1941 were estimated with the aid of data for cities over 100,000.
Line 32.—Sum of line 27 through 31.
Line 33.—Line 30.
Line 34.—Line 37 plus line 38.
Line 35.—Estimated calendar-year collections distributed over quarters of previous calendar year according to quarterly corporate profits after taxes.
Line 36.—Includes line 27 plus portion of lines 28, 32, 33, 34 and 35 estimated to be paid by businesses. Wherever possible, fiscal-year collections were put on a quarterly liability basis by using series corresponding to the incurrence of liability. For example, in the case of sales taxes, liability for which is measured by receipts, relevant sales series were used.
Line 37.—Line 40 plus line 41.
Line 38.—Line 29 plus 30 plus portions of 28, 32, 33, 34, and 35 estimated to be paid by individuals. Personal-income taxes and motor-vehicle licenses distributed quarterly on the basis of information contained in Tax Systems of the World. For other taxes fiscal-year totals were distributed approximately equally among the four quarters of the fiscal year.
Line 39.—Line 42 plus line 43 equals line 39.
Line 40.—Line 8. Includes old age insurance tax, Federal unemployment insurance tax, Railroad Retirement tax, and the 10 percent of the Railroad Unemployment Insurance contribution which is covered into the Budget of the Federal Government.
Line 41.—Line 48 minus line 45 minus line 47. Includes State unemployment insurance taxes, 90 percent of the Railroad Unemployment Insurance contribution, and employee contributions to Federal, State and local government employee retirement systems.
Line 42.—Includes Federal, State and local government contributions to government employee retirement systems.
Line 43.—Lines 45 through 47. Social Security Board, Railroad Retirement Board, Civil Service Commission, and data of the Department of Commerce. Contributions to social insurance funds are on an accrual rather than a collection basis.